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CURRENT HISTORY

JULY 1932

President Hoover's Record

By ALLAN NEVINS[*]

HERBERT HOOVER was elected President in 1928 under circumstances which gave him great responsibilities and almost unprecedented opportunities. He was pitted during the campaign against a leader of extraordinary abilities. Seldom in its long history has the Democratic party nominated a man as gifted in the sphere of government as Alfred E. Smith. Yet Mr. Hoover defeated him by an overwhelming popular majority and the greatest vote any man has ever obtained in the Electoral College. In part the tremendous support he received expressed a sense of approval of the tacit alliance between American business and the Republican party and of the industrial prosperity which this alliance had achieved. The party of business had seemingly obtained immense and enduring economic benefits for the country. It had nominated a business leader of expert technical training, and the nation rose to it with a vote of confidence. But in part the vote expressed also a sense of faith in Mr. Hoover's personal qualities. His cosmopolitan experience, his wartime record, his eight years in helping control the vast organization of government in Washington, his apparent skill in administering difficult affairs, all impressed the public. The result was that he entered office with a clear majority in both chambers of Congress, with a degree of popular support no other President has had since Roosevelt's election in 1904, and with a future that apparently lay in his own hands.

It is true that the general popular confidence in Mr. Hoover in 1928 was not entirely shared by some impartial observers who had scanned Mr. Hoover's record since the war. The ease

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and completeness with which, after espousing the special causes of Woodrow Wilson, he had turned his back on them was a little disquieting. It was remembered that in economic affairs he had become the exponent of a narrow nationalism and that his ideas of world trade were far from those held by the best American economists. He had carried on an exaggerated rubber war against Great Britain, but he had at the same time supported policies on the part of American producers and traders which were precisely parallel to those of the rubber planters who tried to restrict their output. He had sponsored a settlement in the soft-coal industry—the famous Jacksonville agreement—which had broken down with disastrous completeness and had helped plunge the industry into chaos. His general philosophy in the economic field had a mercantilist tendency, and in the political field a conservatism, which worried those who believed that the national welfare required a fresh injection of the progressivism for which Roosevelt and Wilson, in their different ways, had stood. He seemed to have marked prejudices in international affairs—in particular an anti-British bias. Yet, even those who felt these doubts were eager to expect the best of Mr. Hoover. They realized that he was the strongest man his party had chosen since Roosevelt and that his experience and general equipment were remarkably good.

Three and a half years later, what must be the verdict on Mr. Hoover's record? Upon a few facts every one will agree. It is clear that we have had one of the stormiest and most crowded administrations in all American history. Even had times been fairly normal, Mr. Hoover would have faced a dismaying accumulation of tasks that Mr. Coolidge, in doing almost precisely nothing for six years, had permitted to pile up; but times have proved more abnormal than any one would have deemed possible in 1928. The special session of 1929, which inaugurated Mr. Hoover's work, saw him grappling directly with four tremendous problems—farm relief, the tariff, naval disarmament and prohibition. It was scarcely over before the stock market crash and business depression brought a wholly unexpected set of difficulties. Of sheer necessity, the administration since then has been more combative, more turbulent, more controversial than any in peace times since Cleveland's from 1893 to 1897. The nation has had a number of terrible business depressions since 1819, but none that produced such widespread devastation as this. Every one will admit that in view of these facts the record of the administration must be scanned with a certain lenity.

Another fact which stands out in even a cursory survey of these four years is that while many and large problems have been attacked, almost none has been really solved. Some are perhaps in process of partial solution; some have proved insoluble under the methods used by Mr. Hoover. Farm relief was the first great task with which he attempted to deal, but the farmers have never been in greater need of genuine relief than today. The tariff was taken up simultaneously; but seldom in our national history has any tariff act been more unpopular, more generally rejected as a solution of the problem, than the Smoot-Hawley tariff. Prohibition stands almost where it stood in 1928. Despite Mr. Hoover's efforts to bolster it up, despite the drastic program of new enforcement legislation which he passed through Congress and approved in 1930, it is increasingly disliked and mocked at, increasingly unsatisfactory even to its supporters, and apparently closer than ever to drastic alteration. We are not in the World Court; Muscle Shoals has not been disposed of; the reorganization of government departments has made no striking progress. Mr. Hoover has labored like a Sisyphus, rolling a dozen balls instead of one toward the

crest of the hill, but every one has rolled down again before he lodged it at the top.

Still another fact, which Mr. Hoover's best friends will not deny, is that while he has tried hard and unremittingly to give the country an able administration, his initial popularity has rapidly, and until this year steadily, evaporated. He has himself complained of the fact; he complained of it as early as 1930 in his "hair-shirt" letter to Charles J. Thompson, an Ohio Congressman. Every one will admit his patriotism and his high sense of duty. He has faced difficulties instead of running away from them, and he has worked as hard as any resident of the White House since James K. Polk worked himself to death there. He is genuinely desirous of the good of the whole people, and, despite his business outlook on affairs, the range of his sympathies is far wider than Mr. Coolidge's. He has not always been as sincere and candid as he should have been, but even in these deviations from a straight path —as in his first statements about business revival—he has probably been actuated by a feeling that he was abusing the truth that good might come. If good intentions and indefatigable labors could hold the popular regard, he deserves to hold it; yet, at least until lately, there has been a growing feeling that he has been an ineffective President. He commands none of the unthinking popularity that Coolidge enjoyed; he has never gained that half-fanatical admiration which Wilson, even when most hated by his opponents, received from his adherents. It will be said that this is simply the hard luck which Van Buren and Cleveland also encountered in having to preside over a nation in an era of bitter depression. But that statement offers only a partial explanation.

Mr. Hoover has been unfortunate—but he has also, in some respects and particularly of late, been fortunate. He is a man whose special traits fit certain junctures and fail to fit others. The fundamental fact with regard to his equipment is that he is an admirable planner, organizer and administrator, but a very poor policy-maker and leader. He can run a department or set of departments with great skill; he can organize forces to meet an emergency; but he cannot direct a party, lead a parliamentary group or guide public opinion. Many voters in 1928 thought that a good organizer was *ipso facto* a good leader. But leadership and organization require two different sets of qualities, and Mr. Hoover has only one. The great failures of his administration came when he was summoned to demonstrate leadership, and his chance to retrieve his record appeared when more recently the economic crisis again called primarily for organization.

In his first few months in office—the honeymoon which ended when the special session of 1929 got fully under way—Mr. Hoover impressed the country favorably. His Cabinet was on the whole excellent; the selection of such men as Stimson and Mitchell particularly augured well. He took great pains, as Cleveland and Roosevelt had done, in filling the secondary executive posts, and the appointment of Joseph P. Cotton as Under-Secretary of State and Charles J. Rhoads as head of the Indian Bureau deserved warm commendation. He consulted leaders of the bar in filling judicial positions and published their endorsements as a guarantee of the high quality of his nominations. The foreign service was treated with equal care; the choice of Theodore Roosevelt Jr. as Governor of Puerto Rico turned out to be far wiser than any one supposed; the Federal commissions were capably staffed. In withdrawing all public lands from exploitation by petroleum producers he demonstrated both courage and a zeal for conservation. His effort to cleanse Republican politics in the South and stop the scandal of office-broking

there also required courage and revealed a sensitive conscience. By increasing the White House secretariat he added to his own efficiency, while his initial handling of the press conferences seemed to show an intelligent regard for the right of the public to information. He acted wisely by extending the period over which Germany was to make annual payments to the United States and reducing their amount. All this fell under the general heading of administration, in which he manifested a pleasing alertness, energy and sense.

But the special session cut the honeymoon short, and when Mr. Hoover faced matters of policy instead of administrative planning, when he had to show leadership instead of organizing capacity, a different story began to be told. The first great tests were offered by the tariff, farm relief and prohibition. All these were forced upon him prematurely. Senator Borah, late in the campaign of 1928, saw a ghost and stampeded Mr. Hoover into promising a special session to deal with farm relief and tariff revision. The proposal to meet the prohibition issue—raised by Governor Smith—by appointing a commission to get at the facts of law enforcement and report on them was also thrust upon Mr. Hoover during the campaign—its author, according to some accounts, being William J. Donovan, then Assistant Attorney General. To yield to these suggestions was a sad error of judgment on the part of the candidate. He was no sooner elected than he bitterly regretted it. If he had been given until December, 1929, to formulate his legislative program, consult the best minds about him and make his preparations to handle Congress, he might have done much better. But the special session met immediately; it was filled, as every informed observer knew it would be, with ignorance about farm economics, local greed upon the tariff, factionalism and jealousy of the Executive; and the task of dealing with it and three huge and complex national problems at the same time was too much for the new President.

It is hardly too much to say that a strange paralysis seemed to rest upon Mr. Hoover during the first year after Congress met, a paralysis that showed most deplorably in his relations with the tariff. He began by calling for a "limited revision." But any tyro in American politics knows that a limited revision is impossible. When the tariff is once ripped open for reconstruction, when the log-rolling begins and when the Congressional leaders in charge of the bill find it necessary to buy the support of every economic constituency by special favors, all limits are abolished. There was just one chance for Mr. Hoover to place bounds on the scope of the new bill. If he had declared in favor of revision of agricultural schedules alone, he might have succeeded. It was, anyhow, by a margin of one vote only that the Senate failed to commit itself to such a revision, and Mr. Hoover's influence would have sufficed to keep the industrial schedules—for the existing Fordney-McCumber tariff more than protected our manufacturers—out of the mêlée. But he failed to make any such declaration, and his handling of the whole situation showed an astonishing clumsiness.

At the time that he called for "limited revision" the White House gave out a summary of press opinion which reflected the general hostility of the country to raising the tariff higher. Men close to Mr. Hoover let it be understood that he was opposed to any marked increase of rates. Yet when the high-tariff wolves took charge of the bill and began writing outrageous new duties into it, he said nothing to rebuke them. On the contrary, he several times displayed strong resentment against the Progressive-Democratic coalition which, during the Summer of 1929, labored desperately to keep the tariff within the bounds of reason. At the begin-

ning of November, 1929, when it became clear that the bill was going over to the regular session, he gave out a statement virtually accusing this coalition of unwillingness to "give adequate protection to industry." For a time it seemed that the moderates would succeed in rewriting the bill. In December, 1929, Mr. Hoover had an opportunity to say firmly that this rewritten measure suited him better than the atrocity which had originally come from Mr. Smoot's finance committee in the Senate. But he said nothing of the kind. He looked on apparently unmoved when Joseph Grundy, who before his appointment as Senator had been censured for his activities as a lobbyist, and who admitted his belief that the campaign contributions should be paid for by tariff favors, appeared on the scene and began to organize more log-rolling. He said nothing when one indefensible rate after another was crowded into the bill and it was passed by trading of the most flagrant character.

Having shown this paralysis during the writing of the bill, Mr. Hoover was left without any excuse for rejecting it. In May, 1930, came the united protest of more than a thousand economists in all parts of the United States. They explained, with incontrovertible arguments, why a general tariff increase was indefensible. They included many experts attached to industry and to labor organizations as well as university scholars and writers; many Republicans as well as Democrats; many conservatives as well as liberals. Mr. Hoover had been advertised to the country as an expert who would pay special attention to the advice of other experts. While the bill lay on his desk important leaders of the Republican party advised him to veto it. Senator Capper did so; William Allen White did so. Yet he yielded to the political pressure of the groups that were closest to him and signed it. By so doing he placed against his record the blackest single mark that it holds.

Every prediction made by the thousand economists who protested against the Smoot-Hawley bill has come true. It has injured the American farmer both in his capacity as a consumer and in his capacity as a producer who must ship his crops abroad and is hence hurt by every obstruction to foreign trade. It has injured other exporting industries. It has injured all American investors abroad. It has not lessened, but increased, unemployment. It has increased international friction. It set on foot a movement for retaliatory tariffs in Europe and South America which has done material harm not only to the United States but to every nation on the globe, and has contributed heavily to the world-wide depression. In approving and defending such a piece of legislation Mr. Hoover made himself answerable to a grave charge at the bar of history—a charge such as few Presidents would care to meet.

In dealing with the thorny question of farm relief Mr. Hoover showed equal ineptitude. When he entered office he confronted a vigorous demand from the Western farmers for the debenture plan, which was a well-devised scheme for making a tariff subsidy effective on all farm staples; and another demand, embodied in the McNary-Haugen bill, for an export agency, financed by the government, to lift our crop surplus to foreign markets and raise home prices to an artificial level—the losses on the foreign shipments to be paid for by an equalization fee. Either plan promised the farmer something tangible. Either plan was just as defensible, in theory, as the tariff subsidy to the manufacturer. The debenture scheme in particular, endorsed by the conservative Grange, promised definite benefits. Mr. Hoover rejected both. Indeed, debenture amendments to the tariff and the farm relief bills were defeated under his influence in 1929 and 1930.

Instead, he carried through a plan for a Federal Farm Board of twelve members, equipped with a revolving fund of not more than $500,000,000, and authorized to exercise three principal functions: (1) To foresee and try to prevent overproduction; (2) to encourage the organization of cooperative societies, and (3) to form stabilization corporations for the several staple crops, cooperatively owned, and empowered to buy and sell temporary surpluses in these crops.

When he gave the support of the administration to this plan Mr. Hoover assumed a serious responsibility, and it is fair to hold him to strict account. He promised the country, in effect, that his plan would benefit the farmer and would not injure the country—at least, not injure it disproportionately. It is unnecessary to rehearse the history of the Farm Board and its activities in the wheat and cotton markets. Every one knows that it has not helped the farmer and has proved painfully expensive to the nation. The interesting questions are two: Could not Mr. Hoover have foreseen that the scheme was almost certain to break down, and, if he foresaw this, why did he embrace the scheme? The first question is easily answered. For year after year over a long period the wheat and cotton farmers had suffered from excessive world production and low prices. A stabilization corporation might have some prospect of holding over an abnormally large surplus with success if it could be sure that the bumper crop would be followed by an abnormally small crop. But the probabilities were all in the other direction—for a succession of large crops. It was, then, clearly absurd for the government to finance a stabilization corporation in holding one surplus after another temporarily off the market. To do so meant encouraging the overproduction of wheat, for example, not only in the United States but in Canada, Australia, Argentina and other lands. Prices would remain low; the mere existence of the government-held surplus would help to depress them; loans would not be repaid; the revolving fund would not revolve and the whole scheme would break down. Moreover, the growth of cooperatives cannot be successfully fostered from the top; they must grow from the bottom.

What Mr. Hoover did was to accept an improvised scheme that was obviously faulty and dangerous, to pin his reputation as a believer in scientific methods to a plan which was thoroughly unscientific. Why did he do it? He would have been in a more defensible position if he had refused point-blank, as Coolidge did, to attempt anything for the farmers. He would also have been in a defensible position if he had gone the whole road and accepted the debenture plan, saying frankly: "I do not believe in the principle of a subsidy to the farmer, whether by making the tariff effective on his products or otherwise. But we are facing a great national emergency in the distress of millions of agriculturists. We are justified in radical action as an emergency measure. We can better afford to lose a large sum to equalize the position of agriculture and industry than to lose a much larger sum by letting depressed agriculture drag industry down to its own level." He took the dubious compromise plan in the hope that luck would see him through, that that one bumper year would actually be followed by a short-crop year, or that European prices for our crops would rise instead of decline. The result is that the country must accept a loss of hundreds of millions, while the farmers, who never had more than the scantiest faith in the Farm Board plan, feel that genuine relief has never been attempted.

The appointment of his Prohibition or Law Enforcement Commission —later called the Wickersham Com-

mission—in 1929 gave Mr. Hoover great anxiety. He was fretted by the impossibility of obtaining some of the men he wanted most; he feared that the commission would either prove futile or would embarrass him greatly in his relations with the dry forces. It was common knowledge that he fumed and perspired over the subject. At the outset he made a bad impression by statements which implied that the commission would not report on prohibition except as a mere aspect of the broad question of law enforcement, and which thus created a fear that he was trying to evade one of the knottiest and most urgent problems of national life. Happily, he obtained both a competent and a courageous commission. He could hardly have made a better choice for its chairman than George W. Wickersham, and it was obvious that members like Newton D. Baker would permit no compromise with their convictions. When in midsummer of 1929 Mr. Wickersham sent a plain-spoken letter on enforcement to the Governors' conference at New London, every one knew that an honest report would be made. The preliminary set of findings submitted in January, 1930, was well received, and its proposals for consolidating and simplifying the machinery for enforcement, for relieving the strain which prohibition cases placed on the Federal courts and for strengthening weak spots in the law, were accepted as sensible. The final 90,000-word report, ready at the beginning of 1931, was awaited with great interest. Every one expected that it would take a place among the definite contributions of Mr. Hoover's administration.

Yet the report was published in circumstances which gave a severe shock to believers in Mr. Hoover's willingness to treat this important subject without bias or political motive. In itself the document was excellent. It embodied three general conclusions—that prohibition was working very badly; that it was perhaps best to give it another trial, though only a change in the entire national temper could make it succeed, and that if it continued to fail there must soon be some form of referendum. It was a rather confused report, and the individual opinions of commissioners varied greatly; yet these inferences could clearly be drawn. But on the day of its release the press was given a summary which totally distorted its contents, representing it as a justification of prohibition, when in fact a majority of the commission believed in revising the Eighteenth Amendment. Moreover, President Hoover sent it to Congress with a message which still more flagrantly misrepresented its contents. Finally, a grave discrepancy immediately appeared between his attitude as set forth in this message and his attitude as given in interviews with newspaper men a day later, when many Republican leaders and journals had sharply criticized his supposed position. The impression the country gained in these first days of February, 1931, was that Mr. Hoover had been frightened by the candor with which the report pictured the breakdown of prohibition and had tried to soften it. There were persistent rumors that pressure had been exerted on the commission to make it tone down its findings.

After years of indifference in Washington to the deplorable conditions created by prohibition it was disappointing to find that frankness was still wanting in high places. Mr. Hoover's attitude also struck a heavy blow at his own favorite procedure of guiding legislation, or administration, by expert commissions. No executive had ever relied on such bodies as Mr. Hoover had done. In theory they were to work in a thoroughly scientific atmosphere, were to face the facts unflinchingly, no matter how unexpected or disagreeable they might

be; and their findings were to be accorded the completest respect. But now the most important commission of all had been compelled to work in an atmosphere not of science but of politics, and its findings had been virtually rejected by the President himself. One of Mr. Hoover's principal contributions to the science of government was thus abruptly discredited, and the country has ever since smiled at the use of commissions.

It was this succession of events that gave the nation the impression, by the Summer of 1931, that Mr. Hoover was proving a failure, and that reduced his popularity to a low ebb. Not one of them had any connection with the depression which began in 1929, and the phrase "ill luck" could not apply to them.

In foreign affairs Mr. Hoover was meanwhile doing somewhat better, while he met certain minor domestic problems well. The visit of Prime Minister MacDonald in the Fall of 1929 was followed by the Five Power Naval Conference in London in 1930, which Mr. Hoover handled capably. He appointed a strong delegation and shrewdly gave the Senate representation in its seven members. Cruiser-building was stopped in advance of the conference; the opportunity to reach public opinion which the activities of the notorious Mr. Shearer presented was shrewdly seized. The Administration deserves great credit for the five-power treaty signed on April 22, 1930, by which the United States disposed of four capital ships, Great Britain of five and Japan of one, while the three nations agreed to lay down no more such vessels till after 1936. It deserves great credit also for its earnest and realistic attitude toward the general disarmament conference in Geneva, where it has tried and is still trying to prod Europe into definite action. Secretary Stimson abandoned with refreshing completeness the fiction that the United States can have no connection with the League, and has cooperated with it openly and energetically. It has been no secret that Mr. Hoover has shown increasing cordiality toward Great Britain and increasing suspicion and irritation toward French policies; but he has pursued an impartial course. The stupid and cowardly isolationism of the Harding-Coolidge Administrations could not be shaken off entirely, but long steps have been taken toward giving the United States that powerful and beneficent place in world affairs which it occupied under Roosevelt and Wilson, and which it should again claim.

Particularly happy has been the Caribbean policy of the Administration. Mr. Hoover and Mr. Stimson resolved that the marines should be out of Nicaragua by the Fall of 1932, and most of them are now out. The government has also attempted to liquidate our commitments in Haiti, though obstacles have been encountered there. In Panama we wisely permitted a revolution to occur, without interference, under the very noses of our naval and military forces. In South America the somewhat risky doctrine of President Wilson in relation to Huerta was scrapped when a series of revolutions occurred on that continent; and the Administration has taken the view that a government that comes into power should be recognized no matter how it got there. A memorandum on the Monroe Doctrine published by the State Department has indicated that the Hoover Administration is willing to interpret that doctrine in a less unilateral way than some of its predecessors. Concessions have been made to Mexico in the matter of her oil and land legislation, and Washington has kept on amicable terms with Mexico City. The multilateral arbitration treaty which grew out of the last Pan-American Conference has unfortunately been allowed to slumber so far as our government is concerned; but on the whole Mr. Hoover's record in

regard to Latin America is excellent.

In dealing with such a temporary exigency as that created by the great drought of 1930 Mr. Hoover was again at his best. His reorganization of the Tariff Commission was fairly carried out, and he gave it a character far different from that which it held under Mr. Coolidge; if Henry P. Fletcher made a very ordinary chairman, Robert Lincoln O'Brien has made an excellent one. The President showed wisdom in demanding a reconstitution of the Federal Power Commission, which had consisted of three Cabinet members acting ex officio; and he obtained the Parker act of 1930, which gave it five appointive members. There is still hope that Mr. Hoover's nominations to this commission may prove less reactionary than they at first seemed. Yet when all is said in his favor, Mr. Hoover's prestige during the first months of 1931 was low—and deservedly so.

The first effects of the depression had been to send it lower still. The public vividly remembered his lavish promises in 1928 of continued prosperity and increased material possessions—a radio in every home, a car in every garage, and the abolition of poverty in sight. His early statements on the depression could hardly have been worse. They showed a hollow and unworthy optimism, so patently insincere that it deceived nobody. As supplemented by the still more egregious misstatements of Dr. Julius Klein, they both irritated and depressed intelligent people. Mr. Hoover at first insisted that our economic troubles were a temporary and isolated phenomenon, a sequel of the rash speculation of 1928-29, which would soon pass away. He expounded the view that the United States was so thoroughly self-contained that it could make an independent recovery and lead the world back to prosperity; and, as late as June, 1931, in an address in Indianapolis, he was talking about our "high degree of self-containment." As the depression deepened, he began to recognize that this was an error. By the latter part of 1931, he was emphasizing the fact that the sources of depression were international, and telling the country that our recovery was retarded by the economic plight of other nations. These veering and contradictory opinions created distrust of the President's judgment and honesty. The first relief measures—the Elliott-Keyes act for public buildings, the Dowell-Phipps act for highway construction, the creation of a division of construction in the Interior Department, and so on—were not impressive. Intelligent observers were pained when Mr. Hoover threw his influence against the two most important of Senator Robert Wagner's bills dealing with unemployment, and defeated them—bills endorsed by the best experts, and based on principles which Mr. Hoover himself had urged when Secretary of Commerce.

Yet, as the depression grew worse, until it constituted the gravest economic crisis the American people have ever faced, it gave Mr. Hoover a partial opportunity to retrieve his position. As a leader he was still deficient. But as a planner or engineer, an organizer, he had qualities which could be turned to valuable account. Very little leadership entered into his dramatic stroke of June, 1931, in announcing the one-year moratorium on reparations and war debts. It was an emergency measure that was absolutely forced by events, and it was taken only at the last moment. Following the Austrian crisis, the German position became serious in May, and desperate in the first week of June. It was on June 8 that the President began discussing his plan with the Cabinet. His strategy was defective. Nearly all his energies, when he announced the moratorium, were devoted to satisfying American fears and criticisms. Meanwhile he ignored France and her very real stake in the matter; and the result was that, while

the American people, Great Britain and Italy immediately accepted the scheme, France resisted. Prolonged negotiations had to be undertaken with her, and they were not completed until July 6. Part of the benefits of the moratorium had been lost in the interim; the German crisis continued, and before the financial storm ended it had struck Great Britain with disastrous effect.

Nevertheless, the moratorium was a great achievement. Next to the Washington Conference and its treaties, it was the greatest single achievement by an American President since Wilson left the White House. It was the most important undertaking that Mr. Hoover had ever carried through, and while it was merely a piece of common sense he had undoubtedly conducted it—so far as this country was concerned—in the grand manner. It was an earnest of what opportunities the depression might yet offer Mr. Hoover.

Since the meeting of Congress in December, 1931, these opportunities have come to him in a steady succession. He has had one chance after another to prove his mettle as an administrator and a man who can meet emergencies with a direct piece of planning. Until recently his record on the budget showed his abiding weakness in evading true leadership. It was clear throughout 1931 that a colossal deficit was piling up; by June of that year it was close to $900,000,000. Mr. Hoover did nothing until December, when another deficit of approximately $2,000,000,000 was looming up. He then offered a totally inadequate plan. His budget message proposed savings of $365,000,000, and by April 1 he had to confess that this was inadequate—that $200,000,000 more must be saved. In framing tax legislation he has not shown leaderlike qualities. He has made false starts, and it has been necessary to hammer out a solution by a series of compromises with Congress. But in the task of erecting machinery to facilitate financial and economic readjustment, a task which involves expert planning, divorced from politics or parliamentary management, Mr. Hoover has done well. He has conferred with experts. He and Mr. Mills, ably advised by others, have proved fertile in laying plans to help check deflation, restore confidence, increase credit facilities and place sand on the greased rails of finance.

It is in the midst of this effort that Mr. Hoover enters upon his campaign for reelection. To say that he is a victim of the panic and the depression, that if his outlook for victory is dark it is because he has hard luck, is in large part a misstatement. Undoubtedly the view which millions of voters take of him will be colored by their sufferings. But the great initial loss of confidence in him occurred because at the outset, when the skies were brightest, he showed inability to lead; because he botched the tariff, he botched farm relief, he botched prohibition—because he showed a Bourbon temper and an inelastic mind. If there had been no panic or depression, he would have lost public support and deserved to lose it. If the depression has cost him much, it has also given him much. It has afforded him means, especially within the last year, of winning back part of the ground he had yielded. His prestige has risen instead of sunk as the depression has grown blacker. The great question before the electorate is whether a man who has shown Mr. Hoover's remarkable combination of defects and virtues, his total lack of power or judgment in certain directions and his possession of both in others, is a fit man to have four more years in the Presidency.

China's New Weapon Against Japan

By Demaree Bess
Chief Far Eastern Correspondent of the Christian Science Monitor

DURING the seven months following the Japanese occupation of Mukden last September, there were sharp differences of opinion among Chinese leaders as to the policy best suited to obstruct Japan's "positive measures." One group, which obtained the enthusiastic support of students, contended that China must declare war upon Japan without delay, even if the outcome of such a war were certain defeat. Another group, which included General Chiang Kai-shek, the dominant force in the Nanking Government, and Marshal Chang Hsiao-liang, ousted ruler of Manchuria, argued that if China declared war on Japan she would commit national suicide. This group supported a policy of "non-resistance." They proposed to let Japan hold Manchuria until China could make her economic and military organization strong enough to fight Japan on something like equal terms. A declaration of this policy was published by Marshal Chang in October and was adopted by the government at Nanking in spite of the vigorous opposition of student and other groups, which resulted in numerous acts of violence against government leaders.

This policy actually was applied until the end of January. The Japanese were permitted rapidly to consolidate their position in Manchuria, while provincial militarists were instructed to placate the Japanese in every possible way, so that they would have no pretext for further aggression in China proper. At Japan's request, several Chinese newspapers in Peiping, Tientsin, Tsingtao, Shanghai and Canton which printed inflammatory articles were suppressed. The Nanking Government even attempted to break up the boycott movement, but without notable success, for it was no longer under control. A number of student demonstrations against Japan were suppressed by force. Marshal Chang Hsiao-liang acceded to Japanese demands that he remove anti-Japanese slogans posted on palace walls in Peiping and that he withdraw his troops from the vicinity of the foreign concessions in Tientsin. General Chiang Kai-shek even instructed the Mayor of Greater Shanghai to accept Japanese demands for the withdrawal of the Nineteenth Route Army from Shanghai, and withdrawal had actually started when the Japanese naval commander precipitately made his move on Jan. 28.

When Chinese police resisted the entry of Japanese sailors into Chapei, the Chinese industrial section of Shanghai, on the night of Jan. 28, they brought to a close the period of "non-resistance." The Nineteenth Route Army, which had already begun to withdraw, hastily constructing defense positions in the vicinity of Shanghai, ignored the orders of the Nanking Government to avoid a clash with the Japanese. They held their positions against a fierce Japanese naval attack without reinforcements from other Chinese armies until Feb. 17. That day General Chiang Kai-shek's own army, the Eighty-eighth and Eighty-ninth Divisions, arrived in the Shanghai area, and took up defense positions north of the International Settlement. Circumstances had

compelled General Chiang to abandon the policy of non-resistance, and his troops bore the brunt of the Japanese attack from Feb. 20 to March 3.

It was manifestly impossible to revert to the policy of non-resistance. The defense of the Chinese armies at Shanghai had aroused the enthusiasm of Chinese at home and abroad, and changed the soldiers' own opinion of their powers. It had also altered the view held by some Japanese military extremists that intervention in China would be easy and inexpensive. Chinese extremists again clamored for a declaration of war upon Japan. But government leaders, though they still firmly believed that such a step would be suicidal, had now to frame a policy that would placate the extremists.

A policy was accordingly worked out by government leaders, and put into concrete form at the National Emergency Conference held at Loyang in April. This conference was intended to be representative of all China. Leaders of all factions within the Kuomintang and non-party leaders were invited to attend, but internal differences caused most opposition leaders to decline. The conference was in consequence composed almost entirely of the followers of General Chiang Kai-shek and Wang Ching-wei, who was now sharing with General Chiang the responsibility for the Central Government. At its final session on April 13 a manifesto was issued putting on record for the first time the new policy of the Chinese Government in regard to Japan and declaring that "it is the considered opinion of this conference that while China is not in a position now to wage war against Japan, acceptance of an ignominious peace will nevertheless bring about her extinction. There is therefore no other way of coping with the present crisis than to mobilize the resources and man-power of the entire nation in carrying on a prolonged resistance."

The phrase "prolonged resistance" caught the imagination of the country. The destruction at Shanghai had sobered extremists. They realized that a declaration of war might inflict similar damage on other populous Chinese cities, lying undefended along the coast and rivers. Bitter opposition continued against the internal policies of the government, including that of a Kuomintang dictatorship, but the policy of "prolonged resistance" silenced all critics. The Chinese, once they have settled on a foreign policy, consistently carry it out. This has been true of the campaign for recovery of tariff autonomy, abolition of extraterritoriality and recovery of concessions. It promises to be equally true of this policy of "prolonged resistance."

The National Emergency Conference laid down broad principles to prepare for "prolonged resistance" as follows: (1) "A consistent and considered foreign policy, one of the cardinal principles of which is to ally ourselves actively with those powers which uphold right and justice and treat China on a basis of equality"; (2) radical military reform, designed to remove the danger of further civil strife and military feuds, separating national from provincial armies; (3) modification of the Kuomintang political monopoly through establishment of an Assembly of People's Representatives and removal of restrictions on freedom of speech and press and unfettered formation of associations (not political parties); (4) promotion of productive enterprises to correct the collapse of agriculture and dislocation of various industries which have resulted in the prevalent poverty and starvation, bringing in their wake communism and banditry.

To those familiar with Kuomintang manifestoes this program contains nothing novel. Almost the same words were used by some of the same leaders in setting forth the campaign for re-

covery of all "sovereign rights" in 1928. Since voicing these same aspirations after nominal unification of China in that year the government has faced a series of civil wars, all attempts at military reform have failed, the Kuomintang has strengthened its political monopoly, and little money has remained over from civil wars to promote any kind of productive enterprise. Critics of the government can hardly be blamed if they view such general statements with skepticism. Many Chinese believe that even in the face of Japanese aggression a civil war is possible in 1932.

Since the end of the Sino-Japanese conflict at Shanghai on March 3, however, practical measures have been taken which indicate that the policy of "prolonged resistance" is something more than a gesture, and may mean that the Chinese have evolved a new type of warfare, admirably adapted to such a disorganized country as China is. In the first place, the Chinese have proceeded with their plans for two new capitals, at Loyang in Honan Province and at Sian-fu in Shensi Province. Nanking is no longer officially the capital, although it is used at present as a political centre. If the Japanese attack Nanking, the government can remove at a day's notice to Loyang, where the archives are now kept. If the Japanese should attack Loyang, which can be reached by railway and could easily be bombed by using the Yangtse River as a base, the government is prepared to remove to Sian-fu, which has been made the sub-capital. Sian-fu cannot be reached by railway, and extensive air raids upon that remote city are hardly feasible.

At the same time General Chiang Kai-shek and Marshal Chang Hsiao-liang, still the most influential military leaders in China and still close allies, have prepared and partly put into effect an underground military campaign against Japan. Last January the Chinese opposition in Manchuria had almost died down. General Ma Chan-shan, the hero of the Nonni River battle, had accepted a post as Minister of War in the new Manchukuo Government. Sporadic attacks upon the Japanese received little encouragement from government leaders in China. The Shanghai conflict, which resulted in the policy of "prolonged resistance," has entirely altered the situation in Manchuria.

Foreign military observers have been assured that Chinese Government leaders are now directing and financing the underground campaign in Manchuria. They are supplying money and munitions to "volunteer armies" whose efforts are becoming daily more closely coordinated. General Ma Chan-shan slipped away from his Japanese associates, taking with him 500,000 yen and an ample supply of munitions, and reorganized his old army in North Manchuria. He explained that he had joined the Japanese as a "trick" to "learn their secrets," but few Chinese accept this assertion at its face value. They believe General Ma joined the Japanese because Marshal Chang Hsiao-liang had decided not to resist in Manchuria, and that he deserted his new associates when Marshal Chang changed his policy. Last November Marshal Chang was preparing to visit Europe, but since the Shanghai conflict, and the resulting change of Chinese policy, he has apparently altered his plans. Foreign military observers are confident that the old Manchurian general staff, assembled at Peiping since last September, is now directing the underground campaign against the Japanese and their Chinese associates in Manchuria.

If the Chinese believed that they could drive the Japanese out of Manchuria in a short time they would probably wage open war on Japan, but they have apparently become convinced that a policy of "prolonged resistance" can be successfully ap-

plied in Manchuria as well as in China proper. The Chinese have been told that Japan's financial position is critical. They realize the drain on Japan of continued guerrilla warfare in Manchuria, through both military expenditures and economic losses from her investments there. Chinese soldiers and brigands in Manchuria apparently are willing to fight so long as they receive a little money and comparatively small amounts of munitions. The military commanders in China proper are in a position to supply these modest demands indefinitely.

The military measures based on the policy of "prolonged resistance" have been elaborated in the Yangtse Valley by General Chiang Kai-shek. It is estimated that since the beginning of March 116,000 Chinese soldiers have been assembled in the area bounded by Shanghai, Nanking and Hangchow. This army has no intention of attacking the Japanese at Shanghai or elsewhere. Foreign military observers who have inspected the entire area declare that the Chinese have constructed an effective series of defense works and that, even if the Japanese should send 100,000 men against the army of defense, they could hardly drive it out. This is the nearest thing to a national army that modern China has possessed. Units have come from eight different provinces and speak six different dialects. The cost of maintenance is remarkably small. If the soldiers get food and a comfortable place to sleep they are satisfied. The villages and towns in which they are quartered provide most of their food as payment for protection from bandits. This army of defense against possible Japanese attack, moreover, serves as a check for the National Government against a renewal of civil war.

The policy of "prolonged resistance" is economic as well as military. The Shanghai conflict has not broken the boycott of Japanese goods. Trade figures show that, if anything, it has been intensified since the beginning of March. Before Jan. 28 the boycott was half-hearted and was maintained only by the efforts of paid agitators, who illegally attacked and arrested merchants. In recent months it has more nearly approached a popular movement than any that preceded it. The boycott and other anti-Japanese movements are directed by the Association of Anti-Japanese Societies, with headquarters in Shanghai and branches in all parts of China. Missionaries living along the Tibetan border report that societies have been formed in towns which can be reached only after a month's travel from Shanghai.

The association was formed even before the Japanese took Mukden last September, as a result of anti-Chinese riots in Korea, and assumed serious proportions after the occupation of Manchuria. Before that it succeeded in making life so difficult for Japanese residents in Shanghai that some of them were literally driven insane. Up to Jan. 28 the Chinese Government made serious attempts to curb anti-Japanese movements, but since the Shanghai conflict the movement, although not officially encouraged, is not hindered. Members of anti-Japanese societies pledge themselves not to buy Japanese goods, not to sell anything to Japanese, not to have social relations with Japanese and to do everything possible to make life uncomfortable and burdensome for them. The vows which members are required to take are so binding that few care to violate them.

The next few months or years will answer the question whether the Chinese have not discovered in the policy of "prolonged resistance" a new type of warfare better adapted to their purposes than an open declaration of war. Like war, it has its military and economic phases, but does not involve a break in diplomatic relations. The Chinese are proficient in the use of its indirect methods, just as they have

been in their campaigns against "imperialistic aggression." Attempts during the past five years to reduce China's unwieldy armies have met with little success. Now the Nanking-Loyang Government, through application of its anti-Japanese policy, has been able to reorganize its forces in such a way that they form a bulwark against internal as well as Japanese attacks. Funds are more easily obtainable for resistance against Japan, while a factional attack upon the Central Government becomes less likely to win popular support.

The underground military campaign probably adds nothing to China's military expenditures. The past four years have demonstrated that in any case the armies cannot be disbanded. Probably less money and munitions for the Chinese forces in Manchuria are required than for the continual campaign against bandits in Manchuria which the old régime conducted and less money than was paid by the Central Government for the purely nominal allegiance of the old Manchurian régime.

The new underground military campaign, on the contrary, has proved and will continue to prove extremely costly to China. The boycott is a two-edged weapon, and it is doubtful whether past boycotts have not hurt China more than the various countries against which they have been directed. But China, being a thoroughly disorganized State, may be able better to bear the cost of the anti-Japanese movement than highly organized Japan. Trade with China is vital to Japan, and it has almost disappeared. Manchurian revenues have been a major source of income to Japan in the past and were expected soon to prove still greater. If the Chinese can continue their harassing warfare in Manchuria it is possible that they can reduce those revenues to well below those obtained up to last September. Millions of Chinese living in Manchuria will, of course, be affected, but they are accustomed to living on the edge of starvation.

How will the Japanese meet the policy of "prolonged resistance," admittedly a type of warfare for which there is no exact precedent? They have contended that the boycott is a form of warfare which entitles them to use their military forces as they see fit, without the formality of declaring war. But other signatories of international treaties have not agreed with this interpretation. The Chinese have now made their position clear; they will not declare war on Japan, but they will conduct underground warfare as a part of the policy of "prolonged resistance." If it is as successful as the Chinese expect it to be the Japanese will have to find a means of combating this new warfare or admit that the Chinese have discovered a weapon against which they are powerless.

SHANGHAI, May, 1932.

The Chinese Idea of Communism

By NATHANIEL PEFFER

Author of "China: The Collapse of a Civilization"

INHERENTLY there is something incongruous in the fact of communism in China. It is theoretically demonstrable that for social, economic and psychological reasons China is impenetrable to so alien a doctrine. Yet the fact is there; communism, or what calls itself communism, has planted itself and is spreading. How shall we explain the anomaly? Like so many other aspects of contemporary China, it is difficult to understand as an orderly, logical development, but some light is thrown on it by a book which has recently appeared, itself a curious product.

The book is *Sun Yat-sen versus Communism* (Baltimore: The Williams & Wilkins Company. $5) and the author is Dr. Maurice William, a New York dentist. A pre-war Socialist, like so many others of that class, Dr. William found his views thrown into solution by the war. They crystallized in radically different form, and in 1920 he published a book, *The Social Interpretation of History,* which is a repudiation of the Marxian ideology. Its thesis is not anti-socialistic. It is a refutation of the economic interpretation of history and, more vigorously, of the class war as an instrument of social reconstruction. Instead of the class struggle it advocates the use of the democratic process, not to the end of emancipating the working class only, but of re-ordering society on a plan which will operate to the benefit of all. It is, in other words, a plea for socialism without revolution.

The thesis of Dr. William in his *Sun Yat-sen versus Communism* is that the earlier one converted Sun Yat-sen from communism in 1924, shortly after, as leader of the Chinese Nationalist party and founder of the Chinese Republic, he had made what was tantamount to an alliance with Soviet Russia. The claim is corroborated from Sun Yat-sen's own writings and is indisputable, but its interest lies mainly in what it reveals of a bizarre episode.

Sun Yat-sen in 1923 was a disappointed, frustrated and, for all practical purposes, repudiated revolutionary leader. He had inspired and organized the movement which overthrew the Manchus and established in place of the despotic monarchy a constitutional republic, an achievement little short of miraculous. It bordered too closely on the miraculous, in fact, to be substantial, and the republic was soon eviscerated by mandarins of the old régime. Sun Yat-sen organized a revolt against the usurpers, but it was ignominiously crushed and he fled to Japan, a refugee.

That was in 1913, two years after the establishment of the republic, and thenceforth Dr. Sun's career was that of a futile insurrecto, periodically setting up provisional governments in Canton, being ousted and forced to flee, and returning once more to set up another government and declare himself anew the sole residuary of the powers of the State, though surrounded sometimes by only a handful of disciples, some of them venal time-servers. In 1923 he was at his lowest ebb. He had just been evicted from Canton under more than usually humiliating circumstances, and many

even of his loyal Cantonese supporters were impatient with his blind, almost operatic, adventurings. Then Joffe came to the Far East as Soviet Russia's diplomatic representative.

Joffe and Sun Yat-sen met in Shanghai. Russia's message was soothing in Sun's ear. Here was miraculous intervention when fate and the hand of man were against him, and in his psychology of desperation he embraced it. He was in the mood to embrace anything that promised deliverance. Sun and Joffe came to an "understanding," as it was called, one of the terms, interestingly, being the recognition that communism was not suited to China. What was important in the understanding was unwritten. In another sense of the word Joffe "understood" Dr. Sun. He sympathized with his aspirations, his longings, his dream of emancipating China. He offered him what no Europeans or Americans of influence ever had offered—assistance.

A few months later came Michael Borodin, the Russian adviser, who soon was to play so decisive a rôle in China, and General Galen, who organized a military academy to train an officers' corps for the Chinese nationalist army. Imperceptibly, just with casual tenders of advice, the Russian mission began to direct the preparation of propaganda for the reorganization of the Kuomintang or Nationalist party. Borodin was increasingly at Dr. Sun's side—and a Communist nucleus was formed within the Kuomintang.

Fired by initial successes, as he always was when entering on a new campaign, Dr. Sun again planned grandiosely. He began to sketch out the plans of a new philosophy and a new social order. Early in 1924 he began to give his lectures which later were embodied in the volume called the *San Min Chu I,* or "The Three Principles of the People." They were to be, for a time, the Scripture of revolutionary China. The three principles were nationalism, democracy and livelihood. In the first two sections, covered in lectures delivered from January to April, 1924, Dr. Sun enunciated what could at least be construed as Russian doctrine. Dr. Sun appeared to be converted and with the prestige thus conferred, communism began to make rapid strides within the Kuomintang and more particularly among the student classes.

The lectures on livelihood, those which dealt with the economic organization of society, were not given until three months later, and in the very first of them Dr. Sun announced a complete reversal. He repudiated the class struggle and the dictatorship of the proletariat. He specifically repudiated Karl Marx. In other words, he threw Russia overboard—after three months. Why?

Here Dr. William enters. Dr. Sun refers more than once to two distinguished Occidental scholars, Marx and "Williams"—meaning by the latter Dr. William, but confusing him with Whiting Williams, an American welfare worker and lecturer on labor problems. The rest is explained in Dr. William's *Sun Yat-sen versus Communism.* In some way—how, no one knows—*The Social Interpretation of History* had come into Dr. Sun's hands. The lectures on the principle of livelihood not only reflected it, but were based on it. In *Sun Yat-sen versus Communism* are a hundred pages of quotations in parallel columns from Sun's lectures and *The Social Interpretation of History.* On crucial points Sun quotes William almost verbatim. In other words, the most important part of what was to become the testament of revolutionary China was the product of an unknown dentist on the other side of the world who had written an obscure book having no reference to China, who never had been in China, knew nothing about China and was probably not in the least interested in it. History abounds in irrational and fantastic episodes inseparably interwoven into

great events, but no episode is more fantastic than this.

As it happens, it had little concern with history. It remains a fantastic episode. Dr. William's book is unquestionably responsible for changing the mind of Dr. Sun, but it did not change the course of events in China. It had no effect on those events. It did not check the progress of communism in China. As a matter of fact, only after Dr. Sun rejected communism in his lectures did it begin to find its stride. It gained all through 1924, more rapidly in 1925 and reached its highest power early in 1927, almost three years after Dr. Sun had made his pronouncement and nearly two years after Dr. Sun had died. The leader's words, therefore, fell on unheeding ears. Dr. William's book influenced Sun Yat-sen but had no influence on China.

When nationalist China finally broke with Soviet Russia late in 1927 it was not in obedience to Dr. Sun's declarations in the *San Min Chu I.* The Kuomintang split on the opposition of a majority of party leaders to the preponderant influence being assumed by the Communists, and the crisis was precipitated by the attempt of the Communists, instigated by Moscow, to take exclusive control of the party, oust all non-Communists and with that take control of the Chinese revolution and of China. The choice was between a Chinese revolution directed by Chinese or a Chinese revolution directed by Moscow as Russians desired, perhaps in China's interest and perhaps not. Too much and too sharp a nationalism had been instilled into the Chinese to leave any doubt as to what the choice would be. The alliance with Russia was severed and the Russians were driven from China.

Dr. William's book is an interesting marginal note for students of Chinese history, but it reveals less of China than of Sun Yat-sen. Of his personality and its reflection on his career it reveals much. He starts with an enunciation of his philosophy and program —the philosophy and program on which, as leader of New China, he will build the regenerated society. Presumably he has thought them out. Then midway in the course of their pronouncement he reads one book, a book by a man of whom he knows so little that he takes him to be somebody else, and then he turns a complete about-face and simply adopts a new philosophy and program. That was not untypical of Sun Yat-sen. He had already done the same thing. In fact, only three years before he was espousing communism and inveighing against the capitalistic, imperialistic powers he had published a book outlining a plan for the economic reconstruction of China with foreign loans. Thus, in four short years he had traveled between two opposite extremes in social philosophy.

Consistency, logic and cool reason were not Sun Yat-sen's primary qualities. He was singularly lacking in them. His course was never reasoned. Perhaps it would not have carried him so far if it had been. Had he been given to careful deliberation he might never have embarked on the enterprise of overthrowing a despotism more than two thousand years old. He moved, instead, on impulse, usually a fine impulse; but thereby he was led to pick up "isms" as he went, one after another, without regard to their mutual relation. He was an exhorter and leader, not a student or statesman. Also, he was an idealist and patriot who sacrificed himself for what he conceived to be his people's good.

When the Russians were driven out of China in 1927 and huge numbers of Chinese Communists and Communist sympathizers were executed by way of a purging only a phase of Chinese communism closed. Communism did not end in China. More has been heard of it in the last year than then, and in actual expanse of territory it is more widespread. At least in nominal adherents it is increasing. Reliable

evidence is always difficult to obtain from the interior of China, but it is asserted by the Russians that a large part of Central China is under Communist control, actually under a soviet form of government. There is a large armed force under at least nominal Communist command. A year ago the Nanking Government sent a well-equipped army to crush it but failed completely. And there is very little prospect that it will be overcome in the near future and that communism will be eliminated.

Nevertheless, it is highly doubtful if there is as much likelihood that China will become a Communist State as there was in 1927. Even then communism was an exotic growth, brought in from outside, from a different soil and climate, and thrust in barely under the surface. But then at least it had the support or benevolent neutrality of the leadership of the country, of the elements which commanded prestige and carried authority. It derived its original impetus from Sun Yat-sen and its first leaders from among his entourage or from the universities, still the carriers of the authority which learning has traditionally conferred in China. The most powerful dynamic in the country, morally and materially, was behind communism.

That is no longer true. The same classes are today opposed to communism. It is today a mass movement, and in China more than elsewhere mass movements are only negative unless unified, integrated and articulated by a few leaders. It is inherently a movement of desperation. There has been progressive disintegration in China for twenty years. The downfall of the monarchy was not precipitated by Sun Yat-sen alone. It was rotting from within. The persistent attacks of the Western powers since the middle of the nineteenth century and the disruptive effect of the penetration of Western ideas, of which communism is only the latest, had weakened the foundations of the age-old system. The successive revolutions and civil wars accelerated the process.

Sun Yat-sen's ambition was to uproot all the vestiges of the old government, and he succeeded only too well. But no other government has been set up in its place, and the other instruments for maintaining stability which really functioned as governments function elsewhere also have lost their edge. One cannot say there is no law and order, because in the old China there was always order without law. Order was maintained by the family and the guild according to traditions sanctified by centuries of precedent. These were the controls, and they have loosened. In consequence there has been progressively less security. Robber bands carry on their depredations with impunity. Local military chieftains are hardly less predatory. Incessant civil wars have been even more destructive.

The masses of the Chinese peasants are thus in a mood of desperation. Their lot could scarcely be worse in any case. They have little to lose, and the Communists' promises are roseate. These promises are even redeemed in the first instance. A few strong personalities, either survivors of the earlier heyday of communism or men who were touched by its propaganda at second remove and learned that it was an effective rallying-cry, gather about themselves men and arms and invade a district. They promise land enough for all, full stomachs and protection against exploitation, either by officials or land-owning gentry or money-lenders, a large proportion of whom are in truth exploiters. Their promises are appealing and their arms are persuasive. Nor do they hesitate to kill by way of carrying conviction. Willingly or unwillingly, the villagers join them, or at least give negative allegiance. The Chinese peasant has learned to bend to the wind. Sometimes the floating armies which abound in China are absorbed

en masse and sometimes bandit armies. The rich, or what passes for rich in China, are compelled to ransom themselves by paying over all their wealth, and their land and granaries are confiscated. If not, they are killed, and sometimes they are killed anyway. But at the beginning the peasants benefit.

That this can be called communism in the sense in which one uses the word when talking of Russia, is doubtful. The revolution in Russia was also a mass movement, but one with leaders who had a philosophy, a program and organization. A generation of planning had gone before. Of the so-called Communists in China the number of those who have more than the remotest conception of what communism is about, is infinitesimal. They have neither the background nor the knowledge. They can overthrow, but they will not know what to do next. Were they to succeed completely and take over the whole country, what would result would be far from a Communist State. Moscow would not recognize it as one. Moscow might step in again, this time more effectively, and take control, but if it wanted to institute a Communist society it would have to start from the foundations.

What threatens in China now is a peasant uprising analogous to those of the Middle Ages in Europe—a protest against misrule, exploitation and insupportable conditions. A people less patient and inured to suffering than the Chinese would have broken out before this. In that case, however, everything would be swept away and China would literally go into solution. The strongest safeguard against such an eventuality is a quick recovery of strength and stability by the Nanking Government. But the Nanking Government has never been weaker than now. It has never been so torn by internal dissensions as now and its prestige has never been so low. The Kuomintang, which is nominally the organ of government and the repository of sovereignty, is in a state of moral bankruptcy.

The Manchurian affair and the Japanese invasion of Shanghai have added momentum to the descent and increased the danger of an upheaval and the possibility of communism either nominal or eventually nominal. These events have intensified the psychology of desperation, and have, moreover, increased the number of those who believe that Russia is China's only defense against Japan. Even five years ago, many who lent sympathetic support to the Communist campaign did so on political rather than social grounds. They believed that as between Russia and the imperialistic powers, Russia was the lesser of two evils. The bitterness which Japan has stirred up is now Soviet Russia's strongest asset.

There are subterranean rumblings portending seismic upheavals in China. Communism is only one of the surface manifestations. That is its real significance. Had Sun Yat-sen never made any alliance with Soviet Russia or then changed his mind or not changed his mind, substantially the same forces would be working in China now. Disintegration had set in and it has not been checked. And that derives from broader and deeper social movements. It is in the present nature of things in both the East and the West, but it manifests itself more disastrously in China. The end cannot be foreseen now.

Magnitogorsk: Epic of Soviet Labor

By MILES M. SHEROVER

[Mr. Sherover is an American who recently returned from Russia after spending sixteen months there as a business organizer and efficiency engineer in the employ of the Central Building Trust of the Soviet Union. He had previously been in Russia during 1927.]

A WHOLE nation aroused to enthusiasm by the building of a steel plant is surely without precedent in history. Yet more than any other project, Magnitogorsk has come to symbolize the objectives and pace of Soviet Russia's Five-Year Plan. When, on Feb. 4, 1932, the first blast furnace began to pour forth molten iron, the people reacted to the news as if it were of some decisive victory on a battlefront. By March 28 the first blast furnace produced its normal daily quota of iron according to the plan, 1,037 tons, and in the first days of June the second furnace was blown in.

In comparison with Magnitogorsk, the biggest construction job in Russia, the giant steel mills of the Ruhr and the mighty metallurgical plants of France, Belgium and England are like pigmies. Nothing like it in size and completeness had ever before been conceived. True, its total capacity will still be exceeded by the Gary, Ind., works, but this plant was built over a period of twelve years, while Magnitogorsk is less than two years old.

Though the first rivets of blast furnace No. 1 at Magnitogorsk were driven but fifteen months ago, its output of pig iron has already begun to satisfy Russia's new tractor and machine-building plants, hungry for metal. By the end of 1933 Magnitogorsk's eight 1,000-ton blast furnaces will be ready to produce 2,500,000 tons of pig iron a year. Ultimately, this capacity will be increased to 4,000,000 tons, which will make it the largest steel plant in the world, producing one-third as much steel as all Germany's highly industrialized metallurgical plants put together.

What is being built at Magnitogorsk on an area of twenty square miles is not one large mill, but a complete series of interdependent metallurgical and chemical plants which are to form a base for the industrialization of half a continent.

Here one undertaking, costing 800,000,000 rubles (about $400,000,000 at par), has combined the building of a great dam, capable of impounding 10,000,000,000 gallons of water, a power house that would be sufficient for Moscow's requirements, the development of vast iron ore deposits and limestone quarries, the construction of coke ovens with a capacity greater than any in Europe, a concentrating plant which must handle 20,000,000 tons of crude ore a year, blast furnaces, open hearths, Bessemers, blooming and rolling mills. Alongside these are to be chemical factories which will extract the tar, ammonium sulphate and benzol by-products, and huge machine and locomotive repair shops (because the plants must be as nearly self-contained as possible), such accessory industrial enterprises as brick works with an annual capacity of 30,000,000 bricks, lumber mills and woodworking shops. Scores of locomotives, thousands of freight cars and nearly 200 miles of standard gauge track are needed for transportation within the plant area alone. The metallurgical combine spreads over into an adjoining valley where preliminary work has already been

started on a pipe mill whose products will carry gas and oil across the countryside from Baku and Grosny to the industrial centres.

Magnitogorsk impresses not alone by its size, nor even by the speed of its construction which has triumphed over incredible obstacles, but also by the daring of locating this modern, complex giant of metallurgy in the most backward section of what was only yesterday one of the world's most backward countries. Against a background of primitive culture, an entire steel industry is for the first time in history being created in one place, complete as a unit of design and construction. By comparison the best steel plants elsewhere are patchwork affairs of newer and older units enlarged and improved from year to year to meet growing demands and changed technical processes.

Yet it was an American firm that was selected to design and develop the entire project. In speaking of the undertaking, William A. Haven, chief of the American engineering staff, has said: "Magnitogorsk was an opportunity that comes but once in the lifetime of an engineer. The magnificent setting provided by nature for this enterprise made possible a general plan that for completeness, symmetry, utility and even beauty, from an engineering and operating viewpoint, has rarely been equaled."

Two years ago Magnitogorsk (Magnito Mountain) was nothing but a barren waste of bleak Siberian steppe, uninhabited except by nomadic Kazak settlements. On the Siberian side of the Urals, it is 500 miles from the nearest large city, and even today is connected with the outside world only by a new and still unperfected single track railroad line. Its very inaccessibility may be one of the reasons for the creation of the steel city in such a place, for it is thousands of miles from any of the Soviet frontiers and practically immune from foreign attack.

Magnito Mountain, the world's richest and most highly concentrated deposit of iron ore, is the real reason for Magnitogorsk. The existence of this treasure had been known for 200 years, but like many other natural resources of Russia it was allowed to lie untouched until recently. The ore deposit is the face of the mountain itself, inviting the assault of the huge electric American shovels, which scoop up nine and one-half tons of ore with every bite. The ore averages 57 per cent pure iron and the top layers are so rich that, after crushing, they can be dumped directly into the furnaces without concentration. Not a penny's worth of expensive stripping is necessary. Dr. Smith, the American geologist on the work, says: "There is enough ore here to keep this huge plant going for 100 years."

Within a few miles of Magnito Mountain there lies an inexhaustible bed of limestone, as essential as iron ore to the production of steel. Likewise, the immense quantity of water necessary to quench the thirst of the blast furnaces, 40,000,000 gallons daily, is supplied by the Ural River which flows through the valley. Building a concrete dam 3,500 feet long, to create an artificial lake five miles in length, is in itself a striking engineering achievement.

But iron ore, limestone and water are in themselves valueless without the coke necessary for the smelting process. Here the Soviet planners found themselves face to face with a seemingly insurmountable obstacle. Nowhere within hundreds of miles was there a good quality of coking coal. True, at Kuznetsk a marvelously rich field of coal had been discovered, coal equal to the best grade of Cardiff coking coal, but Kuznetsk is more than 1,400 miles from Magnitogorsk, in a remote part of Siberia, near the Mongolian border. To transport the 4,000,000 tons of coal a year necessary for Magnitogorsk there was only a single line of track, already much overburdened most of the way by

Transsiberian traffic. The decision made was characteristic of the authors of the Five-Year Plan—not only to use Kuznetsk coal for Magnitogorsk, but also simultaneously to construct a secondary metallurgical base at Kuznetsk, so that the 14,000 railway cars to be in constant use carrying coal to Magnitogorsk could return with iron ore to Kuznetsk. Meanwhile a large portion of the Transsiberian Railway is being double-tracked, and a new road is to be built which will considerably shorten the distance.

When the American engineers arrived at Magnitogorsk on the newly laid railroad line, in May, 1930, they found a straggling settlement with about 3,000 workers engaged in erecting barracks for the builders that were to come. Today Magnitogorsk is growing from a construction camp into a feverishly busy city of 200,000 people, working as unceasingly during the long Winter nights, under the illumination of electric floodlights, as it does by day. Already 62,000 workers are on the payroll, and the schedule calls for an increase to 120,000 workers in the next few months. The housing, feeding and clothing of these people, particularly since supplies for them as well as all construction materials must be brought in on the single-track line, presents such a serious problem that men with families are already prohibited from going to Magnitogorsk. Only single men and women or married couples, both of whom can be employed, are wanted.

The Russians realized from the first that no single government organization could cope with so large a project. If Magnitogorsk was to be built, the entire nation's efforts must be mobilized. Into this task the Russian Communist party threw itself with characteristic energy. Every vehicle of publicity was employed. The newspapers, the radio, the cinema, the theatre, the factories, the trade unions, the collective farms, the schools, meetings, parades, billboards and posters, all were made use of in the campaign to awaken the people to the vital importance of Magnitogorsk and of the sacrifices required to create it.

Hardly a factory in the land had not some orders on hand to fill for Magnitogorsk. Eighty-five per cent of the tonnage of steel necessary came from Russia's own older metallurgical plants. In every factory the new steel plant was given first call. Other orders and other requirements were side-tracked. Special workers' committees were organized in various factories to speed up the manufacture and shipment of material and equipment needed for Magnitogorsk. Newspapers were specially published by many of these committees to inform the workers of the progress being made on Magnitogorsk orders and to explain their importance to the whole project. In all the industrial centres the school children were taught to urge their parents to extra efforts to supply materials for Magnitogorsk. Scoreboards were set up on which the children showed how many hours of labor the older members of their families were contributing to the work.

Over the whole of Russia's greatly burdened railroad system freight for Magnitogorsk is given the right of way. Ordinarily freight requires a week to go from Leningrad to Moscow, but imported equipment urgently needed for the blast furnaces was rushed from the Leningrad Harbor to Magnitogorsk, a distance five times as great, in seven days. All over the country one sees freight cars with signs painted on their sides: "Freight for Magnitogorsk. Don't delay." Cities may lack essential supplies, consumer goods for the population may be delayed weeks in reaching their destinations, but freight for Magnitogorsk must arrive on time.

Magnitogorsk is essentially the creation of the Soviet youth; 60 per cent of the workers at Magnitogorsk are under 24 years of age. The Komsomols, Russia's Communist youth

organization numbering nearly 6,000,000 members, have adopted Magnitogorsk as their own project and supply most of the *udarnik,* or "shock brigades," in the industrial struggle for the steel plant. Their battle cry is "Give the country iron." Under a rigorous, self-imposed discipline these young workers have helped largely to overcome many difficult construction problems. The working day is one of eight hours, but no "shock brigade" Komsomol would dream of stopping when the whistle blows. Even when he has finished his day's work he holds himself in readiness for any emergency caused by a break-down in the schedule. It may be unloading lumber from badly needed freight cars which are causing congestion at railroad sidings because of a lack of labor, or night work pouring concrete on the dam to stem the river before an early Spring thaw floods the valley, or the tedious task of "liquidating" illiteracy among newly arrived peasants.

The fighting spirit of the young Communists communicated itself to the office and technical personnel. Bookkeepers, stenographers, supply clerks, teachers, cooks, waitresses, all craved the satisfaction of taking actual part in the construction. These employes, of whom there are over 2,000, volunteered to work on their rest days in organized brigades of *subbotniks,* or Sabbath workers, unloading bricks from railroad cars, piling lumber or doing plain pick and shovel work.

Jacob Gugel, who is in complete charge of all construction work at Magnitogorsk, and who is to head the metallurgical combine when it is completed, is a man of 35 with nothing more than a common school education. He was a mechanic in one of the Donbass metallurgical plants at the time of the civil war when Deniken was ravaging the Ukraine, and when peace was restored he became interested in re-establishing production in the ruined plant where he had been engaged. He was elected foreman by his fellow-workers and, as soon as his talents for organization and management were recognized by the directors, he was appointed superintendent of the plant. Within a few years he became the director of the All-Union Steel Trust, the governing body of the Soviet steel industry. His appointment to head Magnitogorsk was at the personal instance of Stalin, who looks upon Gugel as one of the ablest executives in the country. As a member of the Communist party, Gugel receives a salary of less than $200 a month (the maximum allowed to party member executives), a fraction of the sum received by the engineers and executives who assist him.

Magnitogorsk, a supreme example of a modern steel plant, is being erected by means of comparatively little construction equipment. Sheer brute force—the strength of thousands of peasant hands—takes the place of equipment—steam shovels, trench excavators, power derricks and motor trucks—which Soviet Russia cannot afford to buy abroad. The same project could undoubtedly be carried out in America with one-quarter or one-fifth the number of workers. American construction engineers, accustomed to working at home with the most modern labor-saving installations, are amazed that so much has been accomplished at Magnitogorsk without machinery. Earth excavation by millions of cubic yards, concrete poured by hundreds of thousands of tons, building material and other supplies unloaded from endless miles of railroad cars—all this work done with little more than hand-made shovels and wheelbarrows. A thirty-five-ton steel girder was put into place wholly by hand power with the aid of elementary gin poles. Heavy parts of crushing equipment (said to be the largest in the world) were pulled up to the concentration plant on the side of Aiderli Mountain by methods that could not have advanced much beyond those used by

the pyramid builders of ancient Egypt.

Skilled labor, as Americans know it, is practically non-existent at Magnitogorsk. A man calling himself a carpenter may have done nothing more to deserve the name than help to erect a log cabin in his native village. A crude native hatchet resembling a medieval battleaxe and a home-made saw may constitute the sole equipment of his tool chest. He works by rule of thumb and often is slow to recognize the virtues of foreign-made tools. Three-quarters of these workers are of raw peasant stock, none of whom has ever worked in the building industry or has even seen a factory under construction. They have been enlisted for the job by recruiting agents, who went to the collective farms with the appeal to rationalize their collective farming so that surplus men and women might be released for construction work.

The peasants who are being transformed into artisans by hot-house methods are gathered from all corners of the Soviet Union. No less than thirty-five Soviet nationalities are represented among them, all working together in spite of the differences in customs and language. A colony of several hundred Americans and Germans, all of whom are skilled construction and steel plant operating specialists, compose the foreign settlement.

More than 10 per cent of the workers at Magnitogorsk are women, and there is not a single branch of the work in which they do not participate. For example, women are to be seen high up on the scaffolding around the blast furnaces, carrying hot rivets to the men. (The Russians have not yet learned our steel workers' knack of tossing rivets.) Even welding by the electric and oxyacetylene processes holds no terrors for the women. Women bricklayers are quite common. Setting reinforcement iron is a job on which the Russian engineers say the women are as adept as men. No distinction is made between men and women; equal wages for equal work and equal opportunity are rules that are fundamental in the Soviet Union. And so women are to be found at Magnitogorsk holding positions of foremen and superintendents, and even engineers in charge of important work.

The most difficult problem facing the Soviet authorities is that of finding the workers to run this plant with all its complex processes. In full operation, the mine, steel mills and auxiliary plants will require a permanent force of about 21,000 workers, practically all of whom must be highly skilled men. A number of them will be supplied by the older metallurgical plants in the Donbass and the Urals. But the majority will be young peasants only recently tilling the soil before becoming engaged in constructing the plant. So that they may become skilled steel workers, thousands are spending their free time in the schools which have been organized to provide intensive technical training. Though still a construction camp, Magnitogorsk has already opened its institute of metallurgy to function in close co-operation with the plant. Before the blowing in of the first blast furnace, practical experience supplementing theory was given the students by sending them to one of the steel plants in the Urals for a stay of from four to six months. But practical work is now available on the spot, and as fast as the other furnaces are put into operation the students will join the permanent staff and work side by side with the older and more experienced men.

Thus are the peasants of the steppes being transformed into the working legions needed to man the new industries. That all this is more easily said than done is clearly recognized by the Soviet chiefs. Many years must pass before the new industrial plants attain maximum capacity and before the new proletariat acquires that respect for machines and labor discipline essential to mod-

ern industrial production. Industrialization of a peasant country is no simple task, and creating socialism where the majority of the workers have not long ago stepped from behind the plow is even more difficult.

To speak only of the plant at Magnitogorsk gives an incomplete picture of the construction activity there. Simultaneously with the erection of the furnaces, coke ovens and scores of buildings that cover the industrial area, a Socialist city is being built to house the permanent workers. This city, designed for a population of about 200,000, will be located a few miles from the plant on an elevation 200 feet above it. Out on the steppe, where the Summer heat destroys all vegetation, a system of underground water supply and drainage is being installed to make Magnitogorsk an oasis in the plain, a city of flowers and greenery. Ninety per cent of its area will consist of parks, gardens, playgrounds and landscaped walks.

The city is being laid out in districts, each with a group of brick houses for 9,600 people. These houses will be of two types, one containing two, three and four room apartments with kitchen and bathroom; the other on the "communal" plan, in which living quarters will be small, individual rooms, without housekeeping facilities, as their occupants will take their meals at the community restaurants. Each district will have its own food and supply shops, a large department store, schools, theatres, a club, a nursery and a kindergarten.

Life in each district will centre about the clubhouse, where the attractions will be so many and so varied that people will spend their leisure there rather than at home. Here there will be facilities for amateur theatricals, a gymnasium, a swimming pool, billiard, bowling and chess rooms, a library and lecture halls. The community will take care of the children in the nurseries and kindergartens so that mothers may be free for whatever other activities they choose.

The plant at Magnitogorsk will feed a host of new industrial enterprises in the Urals and Central Russia —the Ford plant at Nizhni-Novgorod, with an annual capacity of 140,000 cars, the Cheliabinsk caterpillar tractor works, the machine-building trusts of Sverdlovsk, the motor and turbine plants at Ufa and the production of rails so urgently needed for the reorganization and rehabilitation of the Soviet Union's transport system as well as for the 16,000 miles of new railroads contemplated by the second Five-Year Plan.

Before the war all Russia's iron and steel plants produced barely 4,000,000 tons of metal, whereas in 1932 the Soviet Union plans to increase its steel output to 9,500,000 tons. If it reaches this figure, it will outstrip all European countries in ferrous metal production and stand second only to the United States. Even then, the Soviet output will be insufficient to meet the needs created by ever-increasing industrialization. According to the figures recently announced for the second Five-Year Plan, the steel output in 1937 must reach 22,000,000 tons. In achieving this total, Magnitogorsk's ultimate capacity of 4,000,000 tons will be the leading factor.

The Unemployment Crisis

By E. FRANCIS BROWN

THE people of the United States are confronted today by an unprecedented social crisis. Millions of men and women are without work, and of these millions large numbers are on the verge of starvation. Their distress has strained all agencies for relief to the utmost and, since the economic disaster of October, 1929, the burden has grown increasingly heavy. Unemployment presents what a leading welfare worker has described as "the most serious human situation that this country has ever faced." Nevertheless, the problem has received far less public attention than it demands, nor has it aroused among political leaders as much concern as would be expected.

Students of labor conditions have long recognized that there are three fundamental kinds of unemployment —cyclical, seasonal and technological. The first, and today the greatest, is cyclical—in other words, the unemployment which appears whenever the operation of what we call the business cycle causes the national or world economy to slacken. Seasonal unemployment is restricted to those industries which respond to certain seasonal demands—canning, for instance, harvesting or certain holiday trades—and which require a large number of workers for a few weeks or months and then, for a period, practically cease operation. Mechanical improvements in manufacturing processes tend to throw many men out of work, and while, theoretically, they find employment elsewhere or in new industries which arise from these very technological developments, experience shows that the time between losing work and finding re-employment is often extended. Obviously, any answer to the problem of unemployment entails removing these basic causes.

For a generation one conference after another has discussed the problem and proposed various remedies. Seasonal unemployment, it has been shown, can be, and has been to some extent, overcome, but no way has yet been found to prevent cyclical or technological unemployment. All solutions that have been offered are little more than palliatives.

During the years before the World War American sociologists, economists and political leaders sought to find some way by which all men at all times could be kept at work—if they so desired. Between 1910 and 1916 seven important studies of the problem of unemployment were made, but without any effect upon legislation. By 1916, however, the prosperity fostered by the war tended to relieve the economic distress among the working class, and employment rose steadily until it reached a peak in 1919. But even in those years men were without work, though not in numbers great enough to attract much attention. As the war boom ended and industry slowed down, unemployment again afflicted American labor until, in the Fall of 1921, President Harding was compelled to summon economic and social experts, leaders of industry and labor, to a conference on unemployment. This conference, like so many others, did little except gather a mass of information on unemployment, its causes and possible remedies.

To most Americans the problem of unemployment and proposals for its

alleviation remained until 1929 largely theoretical. Attempts to enact unemployment insurance laws—and unemployment insurance has so far been the only means discovered for protecting the worker against the day when he is without work—failed, since State or Federal unemployment insurance had little support from either capital or labor. Almost the only plan for overcoming the hazards of unemployment, and obviously it was but a halfway measure, was the establishment of labor exchanges or agencies in several States. The hope was that they would facilitate the finding of employment for workers whom the industrial system had temporarily cast adrift. Before the World War public employment agencies had a promising development in several States, and during the war itself an emergency Federal system grew up to supplement the State exchanges. But after 1920 dry rot set in, until it could be truthfully said before the hearings held on unemployment by the Senate Committee on Education and Labor in the Winter of 1928-29 that "aside from the Wisconsin offices, there are efficient exchanges in some other States, although the number is so small that it does not even offer the skeleton of a national system."

All other attempts to deal with unemployment were private and found expression particularly in schemes for unemployment insurance. Among some of the stronger labor unions, notably in the printing trades, plans for benefits to unemployed members of the union were developed, although, on the eve of the present economic crisis, not more than 35,000 workers were affected. In some of the more enlightened industries schemes were devised in the years following the World War to develop reserves which would protect employes in times when workers would have to be laid off. But these programs were few, and the funds accumulated were too small to be of service in any real crisis. A third type of unemployment insurance, supported by the joint contributions of employers and employes, was common among the clothing workers. Yet none of these plans was far-reaching —in all not more than 151,000 workers were included in their provisions—and the benefits which they offered were unlikely to withstand any prolonged strain.

Except for these few plans, and the obvious makeshifts of breadlines, municipal lodging houses and other charity devices, there was no organized or tried national plan for dealing with the unemployment crisis which suddenly confronted the United States in the closing days of 1929 and which grew steadily worse in succeeding months. Perhaps the principal explanation is that in the United States there are no reliable statistics of unemployment. When even those most closely concerned with the problem were uncertain of its extent, the public as a whole could not be expected to take it seriously.

In spite of what seemed to be general prosperity following the war, the numbers of those employed, with a few exceptions, steadily declined in the decade after 1919. From 1919 to 1923 the index of employment fell rapidly, although in 1923, when the post-war deflation ended, it rose above that for 1919. Then it again declined, without ever attaining the 1919 or 1923 peak, although showing some improvement in 1926 and 1929. Nevertheless, all statistics for employment or unemployment continued to be so inexact that estimates of the number out of work ranged from 1,000,000 to 4,000,000.

The same lack of reliable figures exists today. Basing estimates upon the best sources at their command, the Department of Labor and the American Federation of Labor issue monthly statements of the number of jobless; about 8,000,000 seems to be the figure upon which they agree. But the figure is undoubtedly too small, as it omits most of the "white collar" workers, who have been harder hit by

the present turn of the business cycle than ever before. Nor does it include the thousands of high school and college graduates who, during the year or two since they completed their education, have been forced to remain idle. If all who are without work were counted the extreme figure of 12,000,000 might be found to be nearer the truth than that given out by official sources.

But whether 8,000,000 or 12,000,000, the number is large enough to present the greatest social problem which the United States has known in modern times. Certainly, millions, through lack of work, have been reduced to poverty and, without outside aid, would starve. It is for these people that most of the relief has been provided. Added to the burden of feeding —and in most cases clothing and shelter are needed as well—is the question of somehow sustaining morale. In terms of human tragedy, these millions on the verge of starvation arouse the greatest pity and anxiety—deservedly so, because the "submerged classes" in the last resort are the basis of our social order; their well-being is the test of the success or failure of democracy under the capitalist system.

There are thousands, perhaps millions, of "white-collar" workers who present no less a problem, although one of a somewhat different nature. They are the trained, supposedly more intelligent, in many instances the more cultured elements of our society —the solid middle class which has been the bulwark of capitalism. When members of this group are thrown out of work they can often fall back on sufficient reserves to maintain themselves, at least on lowered standards, for a considerable period; friends or relatives may be close at hand to tide them over the crisis. Even so, the Commissioner of Public Welfare in New York City said on April 28, 1932: "Never before in the history of the Department of Public Welfare has the higher type of man and woman, the cultured, educated citizen, who in normal times possesses earning power of considerable magnitude, been forced to ask the city for aid." Those who do not face poverty and destitution immediately tend to fall victims to what is worse, a hopelessness and despair which slowly destroys mental stamina and moral fiber until many of them will never be capable of resuming their former rôle in society. Their plight may not come to the attention of the "relief worker," but in the long run this decay of the middle class induced by the present economic depression may be of tremendous social significance.

From the beginning of the economic crisis government officials at Washington have shown little comprehension of the magnitude of unemployment or its possible social consequences. Toward unemployment, as toward so many other present-day problems, the present administration has seemed devoid of leadership. Soon after the Wall Street crash in the Fall of 1929 President Hoover summoned a Conference for Continued Industrial Progress, a meeting of leaders in all fields of economic activity. At that time the President secured promises that the wages of labor would not be reduced and that employment would as far as possible be maintained. Moreover, he announced that huge sums would be spent on public works by the Federal Government, by States, counties and municipalities in order to provide further employment. As a result, he felt justified in his annual message to Congress in December, 1929, in saying that through his efforts much unemployment had been prevented.

Nevertheless, in January, 1930, William Green, president of the American Federation of Labor, declared that 3,000,000 men were out of work and that a situation which was serious before the Wall Street débâcle had now become acute. Other students

of labor conditions—except in official circles—continued to stress the rise in unemployment, while breadlines appeared in the cities and charity organizations administered relief haphazardly but as well as limited resources permitted. But in spite of years of development the nation's social agencies were unprepared to bear the burden which suddenly was thrust upon them.

During that Winter Senator Brookhart introduced a bill in Congress for the appropriation of $50,000,000 for relief, but his proposal never bore fruit. Another important bill, sponsored by Senator Wagner of New York and introduced in the Senate in April, 1930, provided in its original form for the setting up of a Federal system of employment statistics, for advance planning of public works and for the establishment of a Federal office to act with State employment services as an employment clearing house among the States. Although the bill failed to pass, it received a more favorable reception the following Winter, only to be vetoed by President Hoover.

Unemployment rose steadily in 1930 in the face of constant attempts by the administration to discount the seriousness of the situation. Meanwhile the much-advertised program of public works construction had been slow in getting under way and its results were disappointing. Moreover, unemployment was spreading to the "white-collar" class. By the Fall of 1930 the President and his advisers could no longer hide their heads in the sand. In October, Colonel Arthur Woods, who had been Police Commissioner in New York City and on the President's Committee on Unemployment in 1921, was chosen to direct Federal unemployment measures. Apparently the administration still expected that a public works program would provide for the emergency, although some attempt was made to cooperate with State and community organizations which were giving relief, and employers were asked to spread employment as far as possible. The President's annual message in December, 1930, declared that $520,000,000 would be spent by the government for public works, while Colonel Woods maintained that this amount, added to the sums spent by the States would be adequate to meet the emergency. The President in his message set the figure for unemployment at 2,500,000, but less than a month later the Secretary of Commerce maintained that 6,050,000 were out of work.

The President's veto of the Wagner bill, although sustained by Congress aroused a storm of protest throughout the nation, and, soon after, the Secretary of Labor announced that Federal labor exchanges had been established in all the States to cooperate with them in finding work. How successful this service had been is a matter of controversy, but certainly whatever success there may have been has had no appreciable effect on the figures of total unemployment.

Except that conditions were worse the Winter of 1930-31 was a repetition of the tragedy of the preceding year. Private charity and welfare agencies, supplemented by appropriations from municipalities and counties did their best to relieve the distress. Coordination of effort, expansion of staffs and more abundant funds made the work more efficient and far-reaching, but the burden was already weighing heavily and many a welfare director was ready to admit in private that drastic measures must soon be adopted. On the other hand, the disastrous consequences of the British dole were pointed to, causing solid citizens with bank accounts to insist that proposals for similar measures in the United States were unthinkable.

As the Summer of 1931 brought a deepening of the world economic depression, it became evident that the Winter ahead would see far worse

conditions among the American working class than the country had yet known. Although resisting all suggestions that Congress be called in special session to work out a program to deal with unemployment, the President did take steps to give some Federal support to the relief work already in progress. On Aug. 19 it was announced that Walter S. Gifford, president of the American Telephone and Telegraph Company, would direct the reorganized President's Committee on Unemployment which would aid the nation in organizing relief work for the coming Winter. Nevertheless, President Hoover reiterated his belief that a Federal dole was out of the question, and that help must come from the States and local communities. The President's committee was to assume the direction and organization of a nation-wide drive for unemployment relief funds, the administration of relief matters and the stimulation of employment, either through "spreading work" or by increasing public construction. Two months later, with a blast of press notices, radio broadcasts, banquets and general solicitation, a drive for $500,000,000 was opened. How much money was raised no one, not even Mr. Gifford, knows. In some cities enormous sums were secured without difficulty—New York City raised $18,000,000—but the total was enough to last only through the Winter.

As the burden of unemployment relief grew heavier and heavier, municipalities, counties and States appropriated funds to alleviate distress. In September, 1931, a report of the Russell Sage Foundation stated that private agencies were sustaining only 23 per cent of the burden, but the extent of relief and its incidence is as difficult to determine as the exact number of unemployed. New York State in September, 1931, appropriated $20,000,000 to aid municipalities with their relief programs; in succeeding months similar action was taken by five or six other States. Meanwhile many States had established committees or commissions to study the problem of the unemployed.

In New York City, where the situation has been serious from the beginning of the depression, total public and private relief rose from $360,000 in October, 1930, to $6,700,000 in March, 1932. Even so, according to a report of the city's Welfare Council, it has been impossible to aid thousands of families who are in want and only "famine" relief has been extended to many others. The Commissioner of Public Welfare has said recently: "Never before in the history of the city of New York has there been so much poverty and misery appealing for public and private aid. Never have so many families reached the end of their resources." At the same time it was admitted that in New York City "the private welfare societies are overwhelmed. They cannot deal with the situation that confronts them." In Chicago it was shown at public hearings that because of inadequate relief funds every applicant for relief was reduced to pauperism before being given consideration. Surveys conducted by various journals and social organizations disclose that similar conditions exist in most large centres. New England and up-State New York seem to have the situation well in hand, but the plight of the industrial cities of Pennsylvania and the Middle West is desperate. In general it may be said that public and private relief has failed lamentably to meet the emergency, and that cities, at least, now find it difficult to raise additional funds.

Relief varies from the payment of wages for labor on public works to the issuance of orders upon grocers for foodstuffs. In Toledo, where unemployment is most acute, a municipal warehouse has been opened from which are distributed packages of food, the nature and amount of which

have been determined by a staff of dietitians, to all those proved to be in want. In this way from 50,000 to 60,000 persons are being fed by the city at a cost of about 6 cents a day. During the past Winter the average family drawing relief in Philadelphia received a grocery order worth $4 a week, with an additional milk order if there were small children in the family. In few instances has it been possible to provide families with fuel or with rent money or with clothing.

Much of unemployment relief is not organized, or at least is outside regular agencies. In New York City funds raised among school teachers provide free meals for school children who otherwise would go hungry. Similar relief is being extended in other cities. Many people who are not registered with any relief bureau are being cared for by friends and relatives, while storekeepers have provided aid to the needy of the neighborhood. As testimony given before the Chicago Workers' Committee on Unemployment disclosed, "the real burden of this crisis is being borne, not by any relief agency, but by the poor sharing with the poor. Small merchants, landlords, milkmen, school teachers who have little or nothing themselves are straining their own resources to the breaking point to help their neighbors, relatives and friends."

Relief workers, in spite of the many handicaps to their providing even a minimum of aid, have endeavored to extend their efforts to maintaining the morale of the unemployed. Toward this end recreation and reading rooms have been opened in some cities, and where this has been impossible men and women without work have been directed to libraries and lecture halls to obtain diversion without expense. With the coming of Spring in 1932 attempts have been made to start "unemployed gardens" to raise food for the families of the destitute and to afford jobless men exercise and distraction from their woes.

While unemployment relief staggered and stumbled during the Winter of 1931-32, further attempts were made at Washington to secure Federal aid. At the opening of the Seventy-second Congress bills introduced by Senators Costigan and La Follette proposed to establish a Federal board of unemployment relief which would administer aid and assist local and State agencies and to appropriate $375,000,000 for the use of the board, dividing 40 per cent of this sum among the States according to population. Although the bill was reported favorably by the Senate Committee on Manufactures, it was defeated in the Senate on Feb. 16. By the end of the Winter the only relief bill of any importance to pass Congress was an act for the milling of 40,000,000 bushels of the wheat held by the Farm Board and the distribution of the flour among those in want. But other measures are pending. (For an account of later attempts by Congress to pass unemployment relief measures, see the monthly survey of events in the United States elsewhere in this issue.)

The end of unemployment is not in sight, but the end of the capacity of local organizations to deal with the problem is. Unemployment relief now threatens to become a political issue unless both parties can be brought to see the need of concerted Federal action. No longer can the plight of the jobless be evaded. When Alfred E. Smith on May 16 declared that "talk will not solve unemployment," he might well have added the words of Grover Cleveland, "it is a condition which confronts us, not a theory."

The Speakeasy as a National Institution

By Walter Anderson

DURING the twelve years of national prohibition the speakeasy has become a national institution. Yet the speakeasy is not new in America, nor, for that matter, in any country experimenting with prohibition in any of its guises. Charles Dickens, in his *Pickwick Papers,* refers to a "whistling shop" in the Fleet Street jail; Carrie Nation's early days as a dry warrior were spent in throwing her celebrated hatchet into the windows of speakeasies in her native State, Kansas. These places were not speakeasies in the modern *sotto voce* sense of the term; they were corner saloons operated in "wide open" fashion, in defiance of the local high license laws. We have had the speakeasy with us in America for more than a hundred years, during which it has been known in different localities as a "blind pig," "whistling shop," "smoke shop," or by some other strange term. The Volstead act, in nationalizing prohibition, nationalized the speakeasy, dramatizing an institution in metropolitan centres where it was regarded as a novelty and where, in recent years, it has attained a somewhat glorified status.

The origin of the speakeasy is, by the very nature of the institution, difficult to determine. Its American history dates from 1821, when the State of Maine attempted to regulate the sale of liquor by a license law. This initial Maine law included restrictions upon gambling and drunkenness in addition to the license fee. From the beginning the law was widely broken. There was a fine of not over $50 for common selling; informers collected half the fine up to $20 for their services. During the next thirty years this act was rewritten, repealed and revised. Claiming that they sold only an occasional drink to travelers, tavern keepers sought to evade taking out a license; by 1834 merchants had succeeded in selling beer, cider and ale also without a license. In such evasions of the law we see the beginnings of the present-day speakeasy.

After thirty years of effort (1821-51) Maine became the first dry State. Meanwhile other States were experimenting with the liquor question. But the movement, as we know it, did not really become important until the last twenty years of the nineteenth century, when the Middle West was the scene of vigorous prohibition crusades, resulting in State prohibition in Kansas, Iowa and the Dakotas. Many Southern States went dry at the beginning of the twentieth century. The West and the South thus joined New England in being confronted with a new problem—the speakeasy.

The rapidity with which the illicit traffic in liquor grew was made clear by the Commissioner of Internal Revenue, in a report on the sale of liquor in 1914, which remarked: "Bootlegging is principally carried on in States operating under local prohibition laws, and appears to be one of the hardest propositions that revenue officers are called upon to face. * * * As the various States vote

'dry' the operations of the bootleggers grow larger. * * * Illicit distilling, during the past fiscal year, increased slightly over the preceding year."

With the coming of national prohibition the speakeasies of the dry States along with the saloons and liquor stores of the wet States died a sudden death. It took fully two years for ways and means to be devised by the bootleggers to operate in defiance of the new law. Before 1920 the source of liquor supply for speakeasies was the adjoining town or State, if the local prohibition or high license law was State-wide. But with the nation now dry and the citizens' cellars becoming depleted of their stocks, new sources had to be opened to supply the popular demand. Canada, Bermuda and Mexico became the new sources; St. Pierre, a French fishing hamlet off the Newfoundland banks, witnessed a spectacular boom when it transferred its business activities from fish to liquor. In those days much of this smuggled liquor was "cut," as the expense was beyond the average man's purse. The manufacture of cheap, "raw" whisky and "needle" beer in hastily devised distilleries and breweries provided for the workingman's market.

But the economics of purchase by the case plus the psychology of "just one drink" made inevitable a return of the saloon or speakeasy in some guise. With national prohibition in force, the speakeasy now had to negotiate the hurdles of both Federal and State restrictions. The speakeasy of that day consequently was a mere "hole in the wall." One of the first to operate in New York City was an empty store in the theatrical district. Here a bar had been installed and some sawdust thrown on the floor. To all appearances it dispensed soft drinks; one had to be known to buy a drink of whisky. This whisky was kept in pint flasks in the pockets of a dozen overcoats hanging on the wall at the rear of the bar. In the event of a Federal visitation nothing was to be found. If the prohibition agents moved suspiciously near the overcoats while searching the premises the bartender would cry out: "All the customers left their overcoats here in their scramble to get out when you fellows came in." Many of the operators of such places have since gone on to great financial success, not only in running chains of modern speakeasies but in organizing a variety of "rackets" which they use to extort money from the proprietors of neighborhood laundries, cigar stores, garages and other small businesses.

After two years of national prohibition the bootleggers and their political henchmen were so well able to cope with the enforcement authorities that any former bartender still out of employment as a result of the closing of the saloons could go to a "big time" bootlegger and be set up in business with a speakeasy on a percentage basis. All that was required was that he buy his liquor exclusively from the master; any deviations were fatal and made the crime news for the next day's newspapers. So well entrenched politically were the leading bootleggers that it took the Federal authorities four years of day and night investigation to convict Al Capone; even then they were obliged to resort to the expedient of charges under the income tax law—a method which is being successfully applied this year against many notorious individuals.

The speakeasy in the elaborate setting which distinguishes it in the larger cities today was years in developing. Since the hole-in-the-wall type of drinking place would not attract the profitable middle and upper class trade, it was necessary to provide surroundings in keeping with the scale and traditional extravagance of the pre-prohibition cafés of the *haute monde*. But the expense of such a step was prohibitive owing to the imminent danger of being padlocked by the two prosecuting agencies, State and Federal. It was not until various States nullified their own enforce-

ment acts that the speakeasy rose to its present position of gay and glamourous lawlessness. New York repealed its enforcement law, the Mullan-Gage act, in 1923, after only two years of attempting to meet its financial burdens. Massachusetts and other States followed suit shortly after. Wherever this happened, it was a signal for bootleggers to open speakeasies on an elaborate scale.

The policeman on whose beat a new speakeasy opened henceforth merely reported it to his precinct as a "suspected place." During the first week of its operation the local police inspect it, but only as a safeguard against violations of city ordinances, principally those relating to vice. There is a popular superstition that an officer assigned to a beat on which are located several speakeasies soon retires with large bags of gold. Actually there is no reason why a speakeasy should pay out graft to any city or State authority where the local enforcement act has been repealed or had never been made law. So far as the policeman on the beat goes, his "graft" usually amounts to an odd quart of whisky as a reward for his vigilance in informing the speakeasy that the Federal agents are "in the neighborhood."

Prohibition had a devastating effect on the nation's pleasure arteries, Broadway in particular. Shining forth in the bizarre splendor of cafés, cabarets, hotels and theatres, the "Great White Way" of New York rapidly degenerated into an affair of cheap chop-suey restaurants and slovenly shops; its hotels have long since deserted their recognized standards of excellence and its theatres have become motion picture houses. Broadway no sooner declined, however, than it began to arise, in the spirit if not in the letter. In 1923 numerous speakeasies and "clubs" began to open not far away in the fashionable Park Avenue residential district.

In recent years the night life of the larger American cities has tended to pattern itself largely along the lines of the night clubs of European capitals. The fashionable speakeasies avoid the worries of search and seizure by Federal agents by incorporating as "clubs" at the State capital, obtaining a charter for which they pay a bonus to a political agent in addition to the regular fees. Memberships in the "club" are then sold to prominent residents of the city; dues range up to $300 a year. The "club" usually occupies a private house, one of the brownstone-front survivals of the "Mauve Decade," or a more architecturally elegant gray limestone mansion. Many of the new "tower" hotels rent entire floors to the "club" type of speakeasy, which not infrequently is installed in a penthouse. Where the premises are leased instead of purchased outright an additional six months' rent is obtained by the landlord as security in the event of padlocking by the Federal agents.

The charter of these clubs is usually framed and hangs on the foyer walls, where it can be quickly seized by the attendant at the entrance door and displayed to Federal agents seeking admission. The local police can enter if they wish, irrespective of club charters or similarly obvious though effective subterfuges. The police, however, are not concerned about liquor violations but about infractions of the local ordinances against noise, gambling and prostitution, which are the chief causes of police attention to a speakeasy in States where the enforcement act has been repealed.

Oddly enough, the appointments of this new type of gilded saloon which came into existence both in spite of and because of national prohibition are far more elaborate and pretentious than those of the pre-prohibition café or cabaret. Everything that the old café or cabaret boasted, the new speakeasy or "club" has provided in even more tasteful style, doubtless as a token to its new-found and highly

profitable feminine patronage. Good paintings, tapestries and other *objets d'art* grace these places; there are also powder rooms and a variety of salons furnished in "period" style; rooms for backgammon, bridge, ping pong, roulette and other games; the barrooms are prevailingly fashioned after the model of the "American bar" of European capitals. Many of these places cost upward of $50,000 to open. Food prepared by eminent chefs and served by equally eminent head waiters and their staffs is good enough to satisfy the grand tradition of the gourmet, with a sauterne, burgundy or champagne of excellent vintage to accompany the meal and a liqueur or brandy to go with the coffee.

The 15-cent cocktail of the celebrated Waldorf-Astoria bar of pre-prohibition days now costs $1 in the speakeasies and "clubs" catering to the same clientele. Champagne sells for $15 to $20 a magnum. In less pretentious speakeasies cocktails and straight drinks sell for 40 cents to 75 cents.

Before national prohibition there were 177,790 saloons, 1,090 breweries and 236 distilleries. The number of speakeasies and distilleries in the dry States before 1920 was legion; estimates conflict, however, owing to the fervor of the protagonists of the wet and dry causes and their consequent manipulation of statistics. This condition of course obtains even more broadly under national prohibition. The data on the number of speakeasies in New York City alone is highly contradictory. The number was placed at 34,000 by Grover A. Whalen when he was police commissioner of the city; a prominent newspaper checked this figure and announced it as fairly accurate. In a recent address Police Commissioner Mulrooney smiled at this figure as ridiculously low. At the same time Prohibition Director Amos W. W. Woodcock's census takers could locate only less than 20,000, of all grades and complexions.

The secrecy characterising the operations of speakeasies has been a thorn in the side of societies for the prevention and suppression of crime and vice. Before national prohibition they had control over saloons and speakeasies through two agencies—the excise office and the breweries and distilleries. The former could refuse or revoke the license of any drinking place countenancing crime or vice, while the brewers and distillers would refuse to supply any place reported by the societies. Since national prohibition the local police have had almost full responsibility for dealing with vice in speakeasies, inasmuch as they alone of all law enforcement agencies have entry or can easily effect it, if necessary. Nevertheless, the conditions which speakeasies by their very nature give rise to—"hostesses," and spare rooms or entire floors of private houses, since few speakeasies or "clubs" need all their space for drinking, dining and dancing—have caused many of them to become out-and-out gambling and bawdy houses. In those sections of the country where brothels flourished as late as 1920, especially in the South, the speakeasies have usurped their function and driven them out of business.

Among the many curious situations that arise in this era of the national speakeasy is the cost of imported liquors. Speakeasies selling "the McCoy," as the bona fide article is known in bootlegging circles, pay no more for a case of, say, Scotch whisky than an Englishman does in his own country, where it retails for $35 or $40. The Scotch and Irish distilleries obtain but $10 a case or less for their whisky, the rest of the cost to the legal consumer being added by the government tax. The rum runners, however, purchase their cargoes direct from the distillers and evade the tax. As these rum runners carry thousands of cases each trip across the Atlantic, they can afford to land them at St. Pierre or

some other port in Canada or Bermuda (illegally, of course, since the home tax has not been paid) at a profit of only a few dollars a case. Much of this untaxed but aged whisky and other kinds of liquor is transferred to American smugglers at sea, at the same price as is paid by the Canadian or Bermudian illegal receivers—namely, about $15 per case. By the time it has been brought into the United States and stored in a warehouse the cost has risen to about $20 a case; retailing it to speakeasies in dozen or half dozen case lots sends the price up to about $30 a case, delivered, for cash. Delivery to speakeasies is always effected in the morning hours, since the Federal enforcement squads work most of the night and are at their offices during the rest of the morning that they do not spend in sleep. Federal agents are also kept busy in court prosecuting cases, and it is rare that they can make further arrests before the middle of the day.

The Federal enforcement squad is pitifully small in comparison with the number of speakeasies throughout the land; moreover, speakeasies are only a part of the vast illegal traffic in liquor. Under a recent legal decision it is no longer necessary for these agents actually to buy a drink in order to obtain evidence against a speakeasy; the "observation" of an alleged sale is deemed sufficient. This is doubtless the outcome of the recent reduction in the appropriation for prohibition enforcement made by the Federal Government to cut down the expense of obtaining evidence of the possession and sale of liquor. During the fiscal year ended June 30, 1932, the cost of prohibition enforcement, in all its ramifications, was $11,069,500, equivalent to a per capita cost for the nation of $0.089. Of these expenditures by States New York required $1,610,419; next in order came Pennsylvania with $830,088; Illinois, $595,242; California, $470,692; New Jersey, $466,393. In the District of Columbia the cost was $126,478.09, amounting to the high per capita cost of $0.259.

The extent of State cooperation with the Federal enforcement bureau is indicated by the fact that only 13 per cent of liquor violation cases during the past fiscal year were based on information furnished by State, county or city police. Eighty-eight per cent of all cases in the country were tried in Federal courts; in New York and other States without a State enforcement act the percentage was 100. Hence the "bargain day" procedure that has been adopted in Federal courts where a hundred cases can be disposed of in one day if the defendants are prepared to plead guilty and pay a fine of between $35 and $75. This has become the custom of speakeasy operators or their "dummies"; and although the privilege is abused by them there seems little likelihood of rescuing the Federal courts from their reduced status. For years now they have been obliged to work with the dispatch of the police courts.

The years 1926-29 saw the same unparalleled boom in the speakeasy business as characterized the legitimate world of commerce, and by the same token the speakeasies have reflected the recession in general business. Nevertheless, the depression did not affect the speakeasies with the immediacy with which it did other kinds of business. Among the various reasons for this doubtless the strongest is psychological. Mankind down the centuries has displayed a marked tendency to "drown his sorrows," and have the bartender "mark it on the ice." Despite this the average speakeasy could stave off the effects of the depressions for little longer than a year. One of the rigors of the business is the absolute necessity of payment all along the line in cash, from the smuggler at sea to the ultimate consumer of a highball. Liquor bills are of course uncollectable by legal process. Business took a sharp down-

ward trend for the speakeasies late in 1930.

About the same time a new institution, which had been struggling to gain a foothold for several years, became more firmly established—the "cordial shop." Many men and women who for moral or other considerations would not enter a speakeasy now bought a quart or two of their favorite liquor in these shops without compunction. Cordial shops became as common in residential neighborhoods as cigar or grocery stores. Economic conditions were undoubtedly the basis of their success, plus the facility with which they transact business with all and sundry. Gin became the nation's drink at $1 per bottle; a price war among the syndicates operating chains of cordial shops soon sent the price down to 75 cents and even 60 cents in many places. The clerks in these cordial shops receive an average wage of $25 a week without any risks.

Faced with the competition of the cordial shops the speakeasies reduced their prices "in keeping with the times." Many of the fashionable speakeasies and "clubs" now sell straight or mixed drinks for from 60 to 75 cents and a quart of champagne for from $10 to $12. Even so, business has been so poor since 1930 that a considerable number of places high and low have closed their doors voluntarily. The operators of these closed speakeasies often go back into "small time" bootlegging—selling liquor by the bottle or case, using the "club" roster as a nucleus of patronage.

The bold steps that bootleggers and speakeasy operators are taking in their frantic efforts to maintain business at a brisk tempo during the depression are indicated by the odd methods of promotion and advertising to which they have had recourse. The smarter speakeasies have long had male dancing partners (gigolos) for luncheon and tea hours as an attraction to women of means. The speakeasy often donates the luncheon receipts to some fair customer's favorite charity. In recent months the bootleggers have even used the radio to broadcast their business messages or to build good will, following the established procedure of public relations counselors in the service of large industries. One program, for instance, has caught favor over the air in California, and several stations in neighboring States have "picked up" this program by popular demand. It gives detailed instructions on how to mix drinks and similar information. In Cleveland early this year a broadcasting station sent out an interview with a bootlegger. He was able to inject into his interview sufficient information about how and where prospective customers listening in might reach him that the station is threatened with the loss of its license by the Federal Radio Commission.

The cordial shops, fanned into life by the economic winds of 1929-30, are themselves beginning to feel the depression. As an emergency measure many of them now locate next to a corner orangeade stand, so that the soft drink customer may take his 5-cent drink next door, where gin is added to it for 10 cents, thus reviving the 15-cent cocktail.

From east and west, north and south, vast quantities of liquors are smuggled into the United States daily. Keeping pace with this smuggling is the activity of numerous distilleries and breweries all over the country, turning out great quantities of inferior "raw" whisky and beer. Fully as powerfully organized as smuggling and illicit manufacturing is the speakeasy. It has attained the status of Big Business and keeps its ear to the ground for the political reverberations of the liquor controversy. At the moment its chief concern seems to be that of every other large industry, legitimate or illegitimate—how to bring business back to something like its normal condition.

British Imperial Issues at Ottawa

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THE first imperial conference between the mother country and the British dominions since the Statute of Westminster established their equality in 1931 will convene at Ottawa on July 18. This conference will be the latest in a series which have been held since the gathering of the first British colonial conference in 1887, one of the gestures of pageantry which accompanied Queen Victoria's Golden Jubilee.

Seven years later the self-governing colonies themselves arranged for a second conference at Ottawa. Again there was pageantry, but the really important business was discussion of the construction of "All Red" cable and passenger routes from England across Canada to Australia and the colonial declaration in favor of preferential trade within the empire. Although Great Britain clung to free trade and could extend no preferences, the colonies, which had all gradually adopted protective tariff policies, proposed to extend preferences to each other. Canada gave tariff preference to Great Britain in 1896 and gradually the other colonies took similar action.

But meanwhile a change had occurred in British political circles, which had been startled to learn after the Conservative electoral victory of 1895 that Joseph Chamberlain had asked for and received from Lord Salisbury the post of Colonial Secretary in the new government. Hitherto the Colonial Office had been of minor importance; now an outstanding political leader had chosen to make it great. A business man proposed to turn the British Empire into a profitable interdependent economy by an all-round system of tariff preferences. Though this would involve the abandonment of free trade, which for two generations had seemed synonymous with unparalleled prosperity, Chamberlain's rough, vigorous personality was not daunted, and for eleven years he made tariff reform and imperial preference his political creed.

Much of his dramatic failure was closely linked to his blunt personality and the revolutionary character of his simple idea in a free-trade England, but other forces, such as the South African War and the social program of the Liberal party, were also powerful factors. The "free breakfast table" was saved by the Liberal electoral victory of 1906 and the hopes of imperial economic unity went glimmering, with only faint revivals during the World War and in the intervals afterward when Great Britain maintained a partial tariff. During the war the dominions became individual political entities, and from 1919 to 1930 they and Great Britain were interested chiefly in legal and constitutional recognition of that change.

Although several imperial conferences were held, none until 1930 was concerned expressly with economic relations, and that foundered upon the rocks of British free trade and of dominion economic particularism. R. B. Bennett, who had just become Canadian Prime Minister, frankly declared his belief in "Canada first," and bade Great Britain come to terms before it was too late. J. H. Thomas, the British Secretary of State for the

Dominions, described Mr. Bennett's presentation of his case as "humbug" and the occasion did not arise for his withdrawal of that description. Since Mr. Thomas's own party maintained the second Labor Government in power only with the tolerance and support of the remnants of the Liberal party, these two free-trade groups felt compelled to nullify the conference by refusing to erect a British tariff wall behind which preferences could be granted to the dominions.

The failure of the 1930 conference was ascribed to personal and political differences. Yet behind them lay the great issues of British imperial economy as set forth, for example, in Sir David Chadwick's *Memorandum on the Trade of the British Empire,* 1913 *and* 1925 *to* 1928. Here is presented a picture of a mighty commercial empire in which the periphery is growing faster than the centre, in which most members of the empire trade more outside its boundaries than within, and in which the mother country tends to import increasing quantities of overseas products, while the British products taken by the overseas empire have diminished. Perhaps most important of all is the fact that the empire does not provide a sufficient market for Great Britain's weakened export trade. Between 55 and 60 per cent of British exports find their market elsewhere, and actually trade with Europe has held up better than that with the empire.

Apparently sentiment is still the chief bond between Great Britain and the dominions, if the letters which dominion governments sent last March and April to Mr. de Valera when he proposed to abolish the oath of allegiance to George V are of any significance. Authority ties the crown colonies and the other possessions to Great Britain. The economic position of the empire is peculiar; Great Britain's share of world trade has declined along with that of the rest of Europe, while the dominions are participating in the non-European advance upon world trade. As a result, Great Britain tends to look more and more to her empire for trade salvation, but the dominions, who sell her much and purchase little, seek trade expansion in foreign countries. The dominions are pursuing policies of economic nationalism in the form of high tariffs which are difficult to scale even with British preference. It is no accident, therefore, that the crown colonies and dependencies now receive earnest British attention.

From the imperial point of view, however, the world of 1932 is a fundamentally different place from what it was in 1930. The world-wide contest in economic nationalism has been intensified and the barriers to international trade are higher. Great Britain also has changed. Last November the so-called "National" Government began to raise temporary tariff barriers to remedy the adverse balance of trade. On March 1, 1932, a minimum tariff of 10 per cent—in addition, of course, to the tariff against gold countries created automatically by the depreciated pound—came into operation, with a free list practically confined to foodstuffs (meat, fish, wheat and maize) and raw materials such as cotton, wool, newsprint, woodpulp and raw rubber. In early May a special tariff averaging 20 per cent was placed on most manufactured goods. During April, also, the principle of the old corn laws was revived in an act which set up import quota control and guaranteed the British wheat grower a market and about $1 a bushel for 50,000,000 bushels of his wheat. Neither the tariff nor the wheat act was to apply to the dominions until Nov. 15; that is, until after the Ottawa conference.

British leaders who have created this opportunity for imperial economic integration by mutual preferences are not in complete agreement as to how it should be exploited. Some Liberal and Labor members of the

government are still unabashed free-traders and, at most, concede the temporary necessity of a tariff. Others seem to think that the British Empire and Commonwealth might become an almost closed economic system. Still others, knowing that at present empire markets cannot solve Great Britain's export problem, propose to bargain with other countries, particularly Norway, Denmark and Argentina, whose currencies are closely linked to sterling and which stand in an economic relation to Great Britain that is in some ways closer than that of the dominions. At the moment, because of Conservative antagonism, Soviet Russia, potentially the greatest rival of Canada, is not able to bring her full weight to bear in England.

If any substantial agreement exists as to British policy under the new dispensation it centres in a curious and perhaps treacherous paradox. The world has gone tariff mad and has strangled international trade in the process. Great Britain, the last important nation to follow the fashion, did so in the belief that only from inside the system could she reverse the prevailing tariff policies. This "hair of the dog that bit me" attitude is full of difficulties and dangers, but it is seriously held by many influential men who know that Great Britain can regain her old economic position only through a revival of international trade. A year ago, when the late William Graham, as President of the Board of Trade, asked various foreign governments to concert with Great Britain to lower tariffs, he received many blessings but no promises. Now, when foreign goods must climb a tariff wall to enter Great Britain, foreign countries may, or may not, see the desirability of bargaining.

The present British Government has an overwhelming popular mandate; imperial preference is an integral part of Conservative policy; and the determination which has been obvious in Great Britain since the last election has thus far insisted on finding expression in positive action. Indeed, 1932 promises to reverse 1930, when the dominions were insistent and the mother country was unable to cooperate; now the signs point to an insistent Great Britain and confusion and uncertainty among the dominions. Great Britain seldom mentions the vital importance of her market to the dominions, although in May, 1932, she was goaded to it by the Irish Free State. It may be necessary to remind them all that in such times as these they cannot afford to have their exports face the full force of a British tariff.

The dominions, it should be recalled, rank among the high-tariff countries of the world. In varying degree they have imitated Canada—or the world—by tariff encouragement for local industries, and their own manufacturers do not welcome British competition. Canada and South Africa, since September, 1931, have been protecting their industries against the depreciated pound by invoking special anti-dumping duties. But to be imperially effective British preferences ought to be on food and raw materials and dominion preferences should be on manufactured goods. There is also strong nationalist sentiment to compete with imperial loyalty, most notably in the Union of South Africa and the Irish Free State. Basic economic differences, such as the gold production of several dominions, make for further divergence, particularly if proposals are seriously made to create an empire currency or a sterling bloc. Finally, the dominions are scattered over the world in such a way as to implicate them deeply in regional political and economic situations where their interests and those of Great Britain do not necessarily coincide.

Canada at the moment presents to some extent nearly all the dominion problems, while her size and important trading position make her special

situation the most important after that of Great Britain. She must trade with the world in order to market her huge surpluses of raw and manufactured products such as wheat, flour, wood products and non-ferrous metals. Her natural economic relation is with the United States and, until the Hawley-Smoot tariff forced Canadian retaliation, the two countries were each other's best customers. Then Canada turned from the United States toward Great Britain. Since 1930 imports from the United States have declined much more rapidly than those from Great Britain, while Canadian exports to Great Britain have held up better than those to the United States. New York, after the World War, became the principal source of Canadian borrowing, but when Great Britain went off gold and the Canadian Government began to control its export by license the Canadian dollar depreciated in the United States between 10 and 20 per cent, according to normal interest maturity dates. In these circumstances Canada confined her borrowings to the home market and Canadian citizens sold large quantities of American securities. During the past nine months there has been in Canada a growing discrimination against American products and a determination to diminish economic dependence on New York.

A mood favorable for the Ottawa conference therefore exists in Canada, but a desirable outcome is still difficult. From the currency point of view it is better to buy from Great Britain than from the United States, but from the same point of view it would be better to sell to America. Changes in the American tariff which would be favorable to Canada would present a serious temptation to forget the past. Transportation costs favor the United States; manufactured goods from the United States need no modification for use in Canada and are widely known through being advertised. But at the moment the United States is blind to these opportunities and is even preparing to add products of Canadian forests and mines to the long list of goods which her successive post-war tariffs have almost excluded. On the whole, the chances for Canadian-British agreement are good.

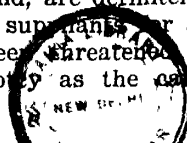
Canadian wheat growers and miners naturally favor mutual preference. Some Canadian manufacturers are not afraid of British competition or would accept an import quota arrangement. Some, like the long-pampered textile manufacturers, have already announced their opposition. Apparently the best response which Canada could make to a Great Britain which has hitherto bought much more from her than she has sold to Great Britain, would be to encourage the substitution of British steel and iron products for the $350,000,000 worth which Canada normally buys every year from the United States and to encourage the importation of anthracite from Wales instead of from Pennsylvania. Canada might encourage Britain's tropical American colonies, South Africa and Australasia to supply her with the products she has taken from the Southern United States and its Caribbean dependencies. She might sacrifice her own textile industry and induce British manufacturers to design other products for her markets to supplant those of the United States. As a great producer of gold and silver she might find it to her fiscal advantage to cooperate in establishing an imperial currency, particularly if it were on a bimetallic basis, and if it were recognized that the Canadian dollar has depreciated less than the British pound. She could then borrow in London as well as at home. Such proposals as these would mollify the low-tariff group in Canada who dislike Mr. Bennett's "Canada First" policy because they see Canadian expansion conditioned by the freeing of international trade.

South Africa's special situation is perhaps as much political as economic, even in the light of her being the world's largest producer of gold. The present Nationalist-Labor Government, which is predominantly Dutch, has decided to maintain the gold standard and has done so since September, 1931, in spite of an opposition which has split the country. Mines, banks, the Stock Exchange, most business men and nearly all producers of raw materials have clamored for a link with sterling, but the government has seen a chance to add economic to its political nationalism. The budget difficulties have been met by what is reported to be a saving of $5,000,000 annually in interest payments to London. Thus far the government has remained in power by two expedients: the payment of subsidies, first of 10 and now of 20 and 25 per cent to its exporters of grain and wool, and the proposed introduction of a new South African currency based on gold and unrelated to sterling. Anti-dumping duties and special trade treaties with Germany and Japan make proposals for mutual imperial preferences difficult to achieve. If General Hertzog and his Finance Minister, N. C. Havenga, can keep their Parliamentary support and fend off a popular repudiation, South Africa may be the greatest stumbling-block at Ottawa.

The Irish Free State is the third of the dominions with complex local problems. Mr. de Valera, as President of the Executive Council, has attempted to fulfill his election promises to abolish the oath of allegiance to King George V and to cease transferring the annuities which Irish farmers pay to liquidate, in part, British land-purchase loans. He has appealed, and it would seem appropriately, to the Statute of Westminster in the matter of the oath and has disavowed the Cosgrave Government's financial agreements because they were not ratified by the Dail. His use of Irish legislation to abrogate bilateral agreements—the treaty of 1921 for the oath and the financial agreements of 1921, 1923 and 1926—has offended the British Government, to whom both oath and annuities seem to be the natural subjects for joint negotiation. On May 11, in answer to a question in Parliament as to whether the government would negotiate with the Irish Free State after Nov. 15, when the existing tariff preferences lapse, J. H. Thomas said: "It appears to his Majesty's Government that if the bill [abolishing the oath] becomes law it would be unreasonable to expect that they should enter into negotiations for further agreements with a government which had thus repudiated an agreement already entered into."

The Irish Free State will be represented at Ottawa because it cannot afford to be left out of an imperial economic parley. Over 90 per cent of its export trade goes to Great Britain and Northern Ireland and there is apparently no alternative market. The Irish Government recently has raised some high tariffs—with an imperial preference of one-third—but it is in no position to fight Great Britain economically when New Zealand, Canada and Denmark would rejoice to have Ireland's share of the British market. The Irish budget deficit is grave; new taxation is severe, and borrowings in London are considerable. At least two great Irish industries have served notice that they will have to move in part to English factories if the Free State steps out of the imperial economic group. Mr. de Valera would like, at least temporarily, to separate politics and economics and, if he can find a way to modify his attitude, there is every chance that the Free State can be fitted into any new imperial economy that may be devised.

The remaining three dominions, Australia, New Zealand and Newfoundland, are definitely in the position of suppliants for aid. All three have been threatened with national bankruptcy as the catastrophic de-

cline of commodity prices has slashed the prices of their exported raw materials. The Hoover moratorium gave them a breathing space of which they have availed themselves. The Australian pound is 25 per cent depreciated from sterling; New Zealand is about as badly off; while Newfoundland has had to seek salvation from Canadian banks by a sort of economic receivership. Australia and New Zealand have trade agreements with Canada. In the case of these three, initiative must be more British than dominion, with due regard to special Canadian interests.

As to the rôle of India and the dependent empire at Ottawa, Great Britain will have at least an equal voice with them in settling their affairs. India's political future is as yet outside a commonwealth conference. Her high tariffs, her hoarded gold, her wheat and her market for silver and manufactured goods are questions which a dominion of India must at some time in the future discuss with Great Britain and the older dominions.

The Ottawa conference, then, faces an opportunity, but does so with the need of reconciling extraordinarily difficult special interests. It will fail if the negotiators think only in terms of local advantage. It may utterly change the Empire and Commonwealth of Nations if some elements cooperate and others do not. In spite of all denials, there is hope for an appeal to sentiment, particularly in a world where nations are bewildered by the depression and anxious for recovery. The wholesale abrogation of existing trade agreements with countries outside the empire, which will be necessary if imperial preference is to succeed, presents another problem, but it might be converted into a widening of the British "freer-trade" group. There are possibilities, short of general mutual preference, in bilateral agreements inside the empire, like Canada's with the West Indies, Australia and New Zealand. There is no reason why the dominions might not apply the import quota principle to manufactured goods if Great Britain should undertake to apply it to wheat and flour.

Whether good economic sense will prevail over particularism or whether Ottawa will provide merely another impotent international conference is at the moment a moot question.

The Color Bar in South Africa

By Edgar H. Brookes

[The author of the following article was the South African delegate to the League of Nations in 1927. He is the author of *The History of Native Policy in South Africa* and *Native Education in South Africa*. At the present time he is Professor of Public Administration in the University of Pretoria.]

THE Union of South Africa, though from the point of view of population one of the smaller dominions of the British Commonwealth, is facing problems almost terrifying in their magnitude and complexity. The white population is divided largely along the lines of national origins, and the deep cleavage resulting from the Union's brief but turbulent history is mirrored in its two capitals, its two official languages and, since 1927, its two flags. Movements toward unity have been powerful, although in this respect the past decade has been one of retrogression. The nationalist sentiment of Dutch South Africa, in spite of two triumphs at the polls, does not feel sure enough of its position to be magnanimous. The nationalists, it is true, have shown more tolerance than many successful nationalist groups of post-war Europe, but the English South African, conscious of his kinship with an imperial race and of his heritage of the world's most widely used language, finds mere toleration unpleasant.

This divided group of less than 2,000,000 whites finds itself opposed to three non-white communities. Some 600,000 "colored" people—a term which in South Africa refers to persons of mixed races—form an embarrassment as acute as Ishmael once was to Isaac. They speak the white man's languages—Afrikaans or English—and they have lost all tribal organization. Socially, politically and economically there is little to differentiate them from the lower strata of white South Africa, and those able to "pass" as white are constantly crossing the color line. Yet the majority of white South Africans are afraid to break down the accepted social conventions which make color—at any rate, obvious color—a bar to social relationship. History has still to record whether the colored man will be the rear guard of the white or advance guard of the black. In the face of this situation the franchise laws indicate the complete perplexity of South African statesmen. The colored man enjoys the suffrage in two provinces out of four; but when recently the principle of women's suffrage was introduced in South Africa the right to vote was restricted to European women.

Because of South Africa's membership in the British Commonwealth of Nations, the presence within her borders of nearly 200,000 permanent Indian inhabitants—most of them born in South Africa—constitutes a problem of special perplexity. Attempts at a solution through the voluntary expatriation of the Indians have virtually broken down, while absorption, or even assimilation, seems unlikely in the face of acute religious differences added to those of race and color. To a government of a cosmopolitan turn of mind the toleration of autonomous groups within the one State would not seem an insuperable difficulty, but a young and ardent nationalism, still sensitive and still on the defensive, rebels against the destiny which has given the Union a permanent Asiatic population.

The greatest problem, however, is

that of the 5,000,000 or more "Bantu" or native Africans who live under the Union Government. Behind them stand millions more in the British Protectorates of Basutoland, Swaziland and Bechuanaland, and in Southern and Northern Rhodesia. It is partly the fear of disparity of numbers which has led the Union to pass laws of an oppressive, and sometimes of an indefensible, character.

Nevertheless the picture has its bright side. Law and order have been preserved in inter-racial dealings. Both elements in the white population have traditions of respect for law, and no case of lynching has ever been recorded. Actual physical cruelty is rare—much more so than in parts of Africa where the statute book reads better. The administrative tradition is good, and instances of venality or abuse of position among the higher grades of civil servants who deal with natives are infrequent. Personal intercourse is often of a kindly nature. The Boer, in spite of much that has been said to the contrary, was on the whole a good master and just within the limits which he set himself. But he stood firm to his principle of "no equality," and much South African thought on the Bantu even today is limited by that phrase.

A more detailed reference to certain aspects of Union policy may make the point clearer. When the Union was formed in 1910, the Bantu, for all practical purposes, possessed the franchise in only one province, the Cape of Good Hope. There the vote was conferred on the basis of a small alternative ownership or income qualification plus the ability to sign one's name and write one's address or occupation. In Natal a very complicated franchise law, which was designed to exclude Bantu from the franchise, *conferred the vote on a half dozen natives who were able to creep through its meshes. In the remaining provinces —the Transvaal and the Orange Free State—natives were explicitly excluded from the polls.*

Part of the compromise of union was a special constitutional provision safeguarding the position of Cape Bantu voters, past or future, by insisting on a two-thirds majority of the total number of members of both houses of Parliament for any law modifying their franchise rights.

When General Hertzog came into power in 1924 as Prime Minister of the Union at the head of a Nationalist-Labor coalition, he propounded forthwith a scheme for the solution of the "native problem." On the political side it aimed at abolishing the existing Cape native franchise and substituting for all four provinces a "community franchise" on separate voters' rolls. Coupled with this was a proposal—which has since been dropped —for a Union Native Council, partly elected, to serve as an auxiliary and advisory body to Parliament.

After long preliminary discussions the franchise proposals were digested into a bill in 1927, but so far they have failed to receive the necessary two-thirds majority. Although the large proportion of the voting population favors them—General Hertzog carried the election of 1929 principally on this issue—the minority has hitherto been strong enough to preserve the principle of a common roll, even if limited to one province.

Foiled in his direct attack, General Hertzog countered by introducing women's suffrage and limiting it to white women. In this way he succeeded in reducing the percentage of natives in the electoral body to 1.7. It may be that he will be satisfied with this victory and will not attempt to push through his franchise bill. In the meantime it remains in abeyance, a possible election cry for later use and a means of dividing the South African party, which has been in op-

*"Bantu" is plural in form, and the term "Bantus" should not be used. Originally coined as a linguistic description, it is coming to be used more and more widely to indicate the black-skinned, but not Negro, population of Southeastern Africa.

position for the past eight years but which is by no means homogeneous in its views on native policy.

No effective means of participating in the National Government, except by the franchise, has been discovered. General Smuts in his native affairs act of 1920 provided for a Native Affairs Commission, an extension of the system of local councils and the summoning of native conferences. The Native Affairs Commission has become a convenient refuge for patronage and is of no importance today. The council system has been timidly and cautiously extended, but so far its only really successful field lies in the Transkei Territories of the Province of the Cape of Good Hope, where it was initiated as far back as 1895. The first of what the government undertook to make a series of annual conferences took place in 1924, but the promise to summon these conferences each year has been broken and they met only in 1925, 1926, 1927 and 1930.

A grievance of the Bantu is that men of color are deliberately barred from membership in both houses of Parliament. The latest rumor about General Hertzog's proposals is that he intends to buy native support for the exclusion from the House of Assembly by permitting Bantu members to sit in the Senate. But Bantu Senators would be a revolutionary step in South African public and social life.

Another element of native policy relates to the question of land. With a flourish of trumpets, the first Union Ministry succeeded in carrying through Parliament in 1913 what was known as the natives' land act. It was introduced with many plausible and eloquent promises of justice to the native; at the same time it embodied the ideal, so dear to many South Africans, of "segregation." Purporting to be a temporary measure, it prohibited natives from acquiring land outside certain "scheduled native areas"—actually the reserves and locations allotted to them in the various provinces—except with the Governor General's special permission. This restriction was to hold good pending the report of a special commission to be appointed under the act. In 1916 the commission duly reported, and a bill was introduced the following year, although nothing came of it. In 1927 General Hertzog introduced a land bill which gave the natives no land but merely withdrew the restriction on purchase within 7,000 square miles of so-called "release areas." Even this step has not been approved, and thus in 1932 the promise which formed an essential part of the contract of 1913 remains unfulfilled.

The act of 1913 also severely restricted "squatting," which in South Africa means the leasing of land by natives on a cash basis or on the basis of handing over to the landlord a share of the crops. This act aimed at turning all natives living on farms—and the reserves are so small that many hundreds of thousands of natives must live on farms—into "labor tenants" or ordinary laborers. A "labor tenant" must pay for the privilege of living on his landlord's farm by personally rendering three months' labor. A further act, in 1926, applied the masters and servants laws to labor tenants, making them, for disciplinary purposes, laborers.

In 1927 General Hertzog proposed to bring what was left of the squatting system to an end by imposing an annual poll tax of £3 on each squatter. He proposed to pay this tax, with other revenues, into a native land purchase and development account and to maintain, as a safeguard, the right of squatting in the 7,000 square miles of "released areas." But only this year, 1932, has he allowed Oswald Pirow, his Minister of Justice, to introduce as a private member—but with full government support—a native service contract bill. By the terms of this bill the squatters' tax is raised to £5 and is paid into general revenue. The safeguard of squatting in the "released areas" is omitted. The labor tenant

must work six months of every year, and the six months may be spread over the year. In practice, his family may also be forced to work without cash payment. Finally, in the case of juveniles, the Magistrate's Court may order whipping for breaches of the masters and servants act.

During the second-reading debate on this bill, J. H. Hofmeyr, a prominent member of the Opposition, pointed out that the provisions were in direct conflict with the Geneva international convention on forced labor. Mr. Pirow did not deny this, but ridiculed the competence of "solemn old gentlemen sitting at Geneva" to make rules applicable to South African conditions. In the meantime, General Hertzog's own bill, with its much less onerous provisions, is still before a select committee of Parliament.

The recent tendency in South Africa has been to place one restriction after another on the Bantu. In 1926, coercing the Senate by the constitutional device of the joint sitting, General Hertzog carried through Parliament a mines and works act, commonly known as the "color bar act," which gave the government power to proclaim a color bar in any industry. But it should be noted that provisions for a statutory color bar had been condemned eight times in twenty-four years by commissions of inquiry sitting in South Africa.

In 1927 a native administration act provided, in addition to other things, that the government should have power, without assigning any cause, to move a native from one place to another. Three years later the riotous assemblies amendment act, introduced by Mr. Pirow, gave the Minister power, in certain circumstances, to deport from the country persons who, in his opinion, created ill-feeling between the natives and other sections of the community. Deportation has not yet been employed, but the other sections of the act have been used exclusively against Negrophile—not against Negrophobe — speakers and writers.

Late in 1931 a draft proclamation to amend the native code provided that the government should have power, upon the issuance of a special proclamation to that effect, to imprison any native for three months without trial. Appeal to the courts was definitely excluded. Fortunately, protests have been numerous, and to others has been added that of Sir James Rose-Innes, former Chief Justice of the Union. At the time of writing—March, 1932—this proclamation therefore has not been finally promulgated.

This statement of facts, which can be substantiated in every particular, shows how far South Africa must go to reach a solution whereby white and black can live together in peace in their common land. The attitude of Parliament is not representative of every section of the community; a large and increasing liberal minority is pleading the cause of cooperation and conciliation. Nevertheless, the situation is fraught with danger, not merely to the Union itself but also to the Africa that lies beyond its confines.

Fascist Education in Italy

By C. H. ABAD

NOT the least significant of the many changes brought about by the Fascist régime in Italy have been those affecting the schools. Although the underlying ideas of the recent educational reforms antedated Fascism, the Fascists feel justified, and rightly, in asserting that their work among the children in the nation's schools is the most "Fascist" of all their achievements.

The basis of Fascist educational reform was the belief that idealism has an important influence on the development of personality. In actual practice this means the inculcation in every student of a feeling of national consciousness or patriotism, and consequently, "textbooks in history, geography, economics and law and elementary school readers must be in accordance with the historical, political, juridical and economic requirements established since Oct. 28, 1922" —the date of the March on Rome. When the existing textbooks were examined and it was found that none fulfilled these conditions, uniform State textbooks were proposed to bring about "the spiritual formation of the new Italian—educating adolescents in the new atmosphere created by Fascism, teaching them the duties of the Fascist citizen and the past achievements of Italy in history, in letters, in science and in art and those she may hope for in the near future, in which we all hope to play our parts."

A single textbook comprises for every elementary grade all the information that the pupil is to assimilate during the year in spelling, arithmetic, history, geography and religion. A rapid survey of the contents of these books will indicate their nature. The first and dominant idea is the greatness of Italy: "The Italian land is blessed by God." "Italy," says the father to his boy, in one story, "is great, strong, powerful and feared, and you, my boy—" but he is interrupted by the child: "I am an Italian, how fortunate!" Italy is not only an exceedingly beautiful country, more so than all others, but the other nations are possessed by jealousy; they simultaneously fear and threaten her. In a geography lesson the pupil is told: "In the same sense in which the walls of a house defend it against tempest and bandits, the Alps are the walls of Italy." The thought of aggression—and scorn for it—is introduced while the child still reads by syllables: "The mountaineer of the Alps loves his mountains and fears no one." And later: "The flag passes. * * * Let us salute in the Roman fashion and say: 'We are children and we love you; when we are grown up we shall defend you and make you respected by everybody. Long live Italy!' "

The first reading lesson of the second-year textbook—when the children are in their seventh year—expresses the idea more specifically. In conversation between a father and the child, the latter says: "Tell me, daddy, did you know the soldiers who died in the war, whose names are inscribed on the monument?" "Certainly," the father replies, and goes on to relate from where they came and what he knew about their lives. When the boy asks, "And who killed them?" he receives the answer, "Our enemies, the Austrians and the Germans." The text continues: "The idea that he [the

boy] one day will be a soldier, will fight and vanquish the enemies of his country, inspires him during the entire evening."

To become a soldier, these books teach, is the vocation of every Italian. "There are three cases in which to kill is not a sin: in the case of necessary *defense against an unjust attack, in case of war proclaimed by the legitimate authorities and in case of capital punishment, also sanctioned by the* legitimate authorities."*

However, "a Fascist must arm not only his hands but also his mind." "A book and a rifle, a perfect Fascist," Mussolini has said. Apparently, however, the rifle is more important; on the last page of the second-year textbook there is a drawing of a little Fascist, holding a pen greater than himself. On the wall his shadow projects the enlarged image of a Fascist soldier holding a rifle.

A controversy between a boy and his sister, which is described in the second-year textbook, is thus settled by the grandfather: "And you, master general, must know that if the little girls did not love their dolls so dearly you would not have so many soldiers for war." "Ah," retorts the boy, "this is splendid; why?" And the answer: "Because the soldiers are the sons of the little girls." To have as many children as possible, then, is the vocation of Italian women. The textbook tells us the story of two peasants who die unhappily because they did not want children. Below we read the benediction, "God bless you and give you male children!"

For the soldier the first principle is obedience. The text relates: "When the wise man was asked, 'What is the highest virtue of a child?' he answered, 'Obedience.' 'And the second?' 'Obedience.' 'And the third?' 'Obedience.'" Obedience to the authorities first of all: "Every authority comes from God; who resists authority resists God." Therefore "the fourth commandment, together with the names of father and mother, also includes the heads of religious, civil and political society, whose authority comes from God." In the Fascist youth *organization the children are told that "the Duce is always right." The first continuous sentence they read contains applause for him: "Let us salute* the flag in the Roman fashion; hail to Italy; hail to Mussolini!" The veneration for the head of the government assumes the form of a religious cult. In the textbook for the third year there is a description of the visit to the birthplace of Mussolini—"* * * but to us those steps seem those of a church and with true religion * * * we penetrate into the room where he was born; when we leave the house we seem to have grown better."

The activities of the Fascist Government are likewise exalted. Lessons in arithmetic explain Fascist achievements in producing wheat, electrifying the railroads and so on. The concept of property is defended: "Every man has some possession and every one has the right to possess in peace the much or little that is his and which is perhaps the fruit of long and prudent savings or the compensation for holy labor or, anyway, a dear inheritance from his fathers."

Since Fascism is the perfect expression of everything that is good and desirable, the supreme ambition of every Italian child, according to the textbooks, is to enter the Fascist youth organizations, to become a *Balilla* or a *Piccola Italiana* (a member of the organization for the little Italian girls). The school books relate how the child begs his grandfather to let him become a *Balilla* before he reaches the required age, an ambition which greatly pleases the old man. The first reading lesson of the 6-year-old deals with the same subject: "It is evening. The father reads the pa-

*Quotation from the fourth grade textbook. All quotations have been taken from one or the other of the State textbooks for the four elementary grades.

per. Gustaf looks at the drawings of a book. Julia writes. * * * The mother sews. The needle passes rapidly through the cloth; the good mother is in a hurry; she wishes to finish the beautiful dress to give it to her Julia. It is the uniform of the *Piccola Italiana* * * * and Julia, while the mother sews, *writes [in large letters] 'the Duce guides the Italian people. God protect the Duce!'" And again: "All Italian children are little Balilla.* * * * All the children of Italy are little Fascists; they love the King, they love the Duce, they have learned the songs of the country and repeat them gayly." Not only do the good children all aspire to become *Balilla*, but in the textbooks all the families give proof of perfect Fascist sentiments. For them, as for the children, Fascism is the supreme expression of the Italian nation and Mussolini is always right.

Next to obedience, discipline and courage are the most desirable characteristics of the Italian child. Any individualism, which may take the form of criticism, is reprehensible, and never is a child required to make any decision according to his conscience. Love for, and interest in, nature are in no way stimulated, nor is there any emphasis on kind or charitable sentiments. In the religious portion of the textbooks, which was written by a member of the Church, the Catholic religion is expounded, but this section can hardly outweigh the influence of the secular parts. For four years, between the ages of 6 and 10, the reading and thought of the Italian child centre around problems of war—legends of the World War and its heroes, and the stories of Fascist martyrs.

School life accentuates the lessons of the textbooks. The elementary school must emphasize the spiritual unity of the nation, and teachers are supposed to arouse and strengthen national consciousness in the children. A French Fellow of the Rockefeller Foundation who spent two years in Italy studying the reform of the educational system tells of frequent complaints by the teachers that so much time is occupied with fêtes and parades that completion of the annual curriculum is difficult.* An event of particular importance is the dedication of the portrait of the Duce, but *his is not the only image Italian children worship. There are the members of his family, particularly the little Mussolini boys,* Italian Generals, and above all, the dead soldiers of the World War. Many classes choose a soldier whom they worship. They write to his family for his portrait and, not infrequently, it is hung on the wall under an ever-burning light. Fascist inscriptions decorate the classroom. In some schools there is once a week an elaborate ceremony of saluting the flag.

The patriotism kindled in the children finds expression in their diaries. The following is a summary of such a diary: Oct. 11—Homage to the unknown soldier; Oct. 12—The battle of wheat; * * * the teacher explains Mussolini's efforts, by means of prizes and competitions, to induce Italy to produce sufficient wheat for national needs; Oct. 14—Visit to the wheat exhibition, after which the children write their impressions; Oct. 21—Commemoration of Crispi; Oct. 27—The day before the anniversary of the March on Rome, about which the teacher tells the pupils; Nov. 2—All Souls' Day, consecrated chiefly to those who died during the war; Nov. 4—Anniversary of the victory; Nov. 11—Birthday of the King.

The greatness of Italy, the future of the nation, which is to be won by arms, and the achievements of the Fascist Government are the ideas dominating the life of the school. Since these ideas, ambitions and principles find their purest expression among the members of the youth or-

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*Helène Tuzet, *L'Education du peuple italien*. Correspondence de l'Union pour la Vérité, Paris, 1929.

ganization *Balilla*, the proposal to absorb the school into that organization is not strange. It represents merely another step in the direction of complete control from the Fascist point of view and for Fascist aims.

The National *Balilla* organization was founded early in the history of Fascism; in 1926, it was placed under the supervision of the head of the government and under the control of the Ministry of Education. Royal decrees in January and April, 1928, gave it a privileged position by ordering the dissolution of all other juvenile associations, an act which brought vigorous but vain protest from the Vatican. Although enrolment in the Fascist youth organization is not compulsory, it must be recalled that the elementary school textbooks tell the child that "all Italian boys are *Balilla*." Those who, because of the objection of their families or for other reasons, do not enter the organization, are constantly made to feel ashamed. Teachers are obliged to enroll as many students as possible and may attempt to influence the attitude of parents. Every *Balilla* application, which is handed to the children for signature by their father, contains an accompanying note: "In case the father does not intend to give the authorization demanded, he must state his reasons in writing; it is understood that poverty is no adequate excuse, because enrolment is free for the poor and even the uniform may be given free of charge by the organization."

In 1928, 1,236,000 children were enrolled in the Fascist youth organization. Today that number has doubled so that approximately half the Italian school children are either *Balilla* or *Piccole Italiane*. The other half go to school in agricultural districts where the population is too sparse to make an organization possible or attend religious schools. Members of the *Balilla* and *Piccole Italiane* are between 8 and 14 years of age; they automatically graduate into higher societies and become *Avanguardisti* or *Giovane Italiane*, respectively. At 18 the boys pass into the *Giovani Fascisti*, as a stepping stone to their entry into the Fascist party at the age of 21. The *Giovani Fascisti* include the Fascist university students.

In imitation of the ancient Roman army, the boys are grouped into legions. The commanders of the *Balilla* are mostly school teachers who belong to the militia, while the commanders of the *Avanguardisti* are militia officers. Since the organization is entrusted with the physical education of the Italian youth, it provides for all forms of sports. An important part of the work of these associations centres around Fascist propaganda, carried out by means of lectures, trips and so on; cultural interests are furthered by the creation of libraries. Militaristic aims, however, are dominant. Acts of bravery, examples of strength of character and of firmness of will are the titles of merit in the ranks of the *Balilla*.

Even the education of women is influenced by this warlike spirit. On the occasion of the athletic competition in Rome in 1928, the instructions for the *Giovane Italiane*—that is, girls from 14 to 18 years—were that "on arriving at the capital, each shall carry a rifle; among the competitions the most important is to be shooting." Anticipating the objection of the Church, the Secretary of the Fascist party wrote: "It may be that some will protest or murmur; by way of reply the *Giovane Italiane* will raise their rifles to the sky of Italy."

Military instruction is continued with the other activities of these children's societies. The section on air defense of the youth organization alone—according to their figures—is training 10,000 Italian boys; the *Avanguardisti* are definitely trained for military life. This includes instruction in the handling of machine guns.

This war spirit is not without a purpose, shifting according to the demands of the moment. Some ideas, however, remain unalterable. Reference has been made to the passage in the elementary school book which describes the Germans and Austrians as enemies. "Do not forget that Dalmatia is Italian and that, nevertheless, it belongs to Yugoslavia," reads the student's card of identification for the University of Turin. For the spirit of militarism, hatred and aggressiveness is carried from secondary into higher education. The same is true of the exaltation of Fascism, its concepts and policies.

For a long time, the universities were strongholds of liberal thought. This opposition of the intellectuals was long a thorn in the side of the Fascist authorities, who, by stages, attempted to tighten their grip on the professors. A decree of January, 1927, provided that schools, colleges and universities may be abolished by the Italian Government if their teachings showed disrespect for the institutions and principles of the present régime. Applicants for new or vacant professorships or teaching positions are considered only if they have "the necessary moral and political prerequisites." A later measure empowered the government to dismiss any professor who, "by engaging in manifestations, in or outside office, puts himself into a position of incompatibility with the general political tendencies of the government."

Because of frequent protests from abroad against the suppression of academic freedom in Italy, the Fascists for a long time did not dare to give the final blow to the universities. At the opening of the academic year, 1931-32, however, they at last required from every professor an oath of allegiance to the present régime. As a result many leading European intellectuals protested to the International Institute of Intellectual Cooperation of the League of Nations and a group of professors at Harvard University issued an independent statement opposing the oath. In Italy, some of the most prominent professors refused to bow down to the régime, but the majority submitted, although in the past they often had expressed anti-Fascist sentiments.

The attitude of the Church on this matter is particularly interesting. As might have been expected, the Church is fundamentally opposed to the Fascist conception of the State as the highest authority and on various occasions the controversy between the Italian Government and the Holy See on the education of the Italian youth has become an open struggle. Since the Pope had urged all Catholics to take the Fascist oath only with reservations, a number of Catholic professors applied to the Vatican for instructions with regard to the new requirement. But the official reply completely accepted the new oath.

With the Vatican at present supporting Fascist policies, Fascism is supreme in Italy and its educational program is without open opposition. The military education of the youth will undoubtedly build up a generation of physically well-developed Italians, imbued with the spirit of discipline. On the other hand, they will be a people whose supreme ambition is war, not only because their education has led them to believe that it is one of the highest forms of self-expression, but also because they regard this as the only way of acquiring new territory for their increasing population. A nation whose educational spirit is permeated with distrust and hatred for other nations constitutes a danger to Europe. It matters little against what particular country that spirit is directed at any particular time, for the point of focus may easily be shifted. What is important is that it will prove extremely difficult, if not impossible, to eradicate or even to modify the militaristic outlook on life of Italian youth, and, unless that attitude is changed, it may be seed for future European wars.

The Wisconsin Experimental College

By SIDNEY HERTZBERG

[Mr. Hertzberg, who is now on the staff of *The New York Times*, was a member of the first class in the Experimental College described in the following article.]

IN the Fall of 1927 eleven somewhat apprehensive teachers and 119 highly expectant students gathered in the men's dormitory of the University of Wisconsin as the executors of a faculty mandate "to formulate and to test under experimental conditions suggestions for the improvement of methods of teaching, the content of study and the determining conditions of undergraduate liberal education."

The organization of a college for such a purpose, with its extraordinary freedom of action and its implications of self-criticism, was in itself a landmark in American liberal education. Two other factors added to its importance—first, its establishment in the University of Wisconsin, a major institution in size and standing, supported solely by public funds; second, the chairmanship of Alexander Meiklejohn, former president of Amherst College.

The fortunate combination of circumstances which made the venture a reality can perhaps account for its unconventionality. At Wisconsin, in accordance with the general trend, student enrolment had been increasing rapidly and the university had been thinking about the problems this development brought with it. What adjustments were advisable in the curriculum? What was becoming of student-teacher relationships, of the students' social life? At the same time Mr. Meiklejohn, who had ideas about these problems, was at work with a group in New York trying to organize a new project in liberal education. The moving spirit of this committee was Glenn Frank, editor of the *Century Magazine*, in the pages of which Mr. Meiklejohn had first set down some fairly specific ideas of what higher education might be.

These plans for a new college collapsed when Mr. Frank accepted the presidency of the University of Wisconsin in the Spring of 1925 and persuaded Mr. Meiklejohn to take a professorship of philosophy. The wedding of the East and the Middle West soon produced results. A study commission was appointed and it turned its attention to the first two years of the College of Letters and Science. The new college which was planned in the East was given life in Wisconsin as the Experimental College—a sort of social laboratory within the structure of the university.

No summary of this undertaking could be entirely satisfactory. Mr. Meiklejohn's engrossing report on the college's work hints at the richness and excitement which this adventure had for teachers and students. (*The Experimental College*, New York: Harper & Brothers.) All that can be done here is to outline as many activities as possible which show how the college attacked its problem.

The first duty which faced the "advisers" (the title adopted by the faculty as a substitute for all other academic nomenclature) was — in simple language—to give the students something to do. Before any experimenting could be begun, necessary preliminary arrangements had to be

decided upon. The most important of these was the building up of a workable curriculum. This task involved a sequence of ideas which must be described before the actual workings of the college can be given.

The ideal of liberal education which the Experimental College pursued was that of preparing the student for intelligent living. The college tried to instil in the student understanding and discrimination in his human relationships. This aim was by no means an empty gesture in the general direction of Olympus. It would be impossible to appreciate fully what has been done in the college unless it is remembered that, to the advisers, this notion was something that could be incorporated in an educational system which needed it badly. "So true is this," Mr. Meiklejohn wrote, "that to many of us it seems that upon the achievements of liberal teaching more than upon any other agency in our social scheme depends the welfare of that scheme, the possibility of saving it from disaster, the hope of making it a fitting expression of the human spirit."

What, then, did this mean in terms of a curriculum? The advisers agreed that it should be "integrated" and that integration could best be obtained by the study of two contrasting civilizations. It was felt that when human knowledge and activity were studied as separate subjects, understanding of the human situation as a whole, if it came at all, would be purely accidental. The question presented itself to the advisers as a choice between "integration" and "information." If understanding is to be gained, the student must generalize and attempt to grasp particular fields of study as a whole. But, it was argued, if he has no adequate factual basis in a particular situation, how can he interpret it successfully? Can he "integrate" the facts before he really knows them?

The advisers felt that information was important, but for the college undergraduate only secondary to the creation of a "scheme of reference" within which every study would find its proper place. The student needs "not so much information, as an active response to the information which he already has." Once that response is aroused, he will automatically seek the further information which he admittedly needs. "We must set the students to work at a task in relation to which information is the material to be used. If they will attempt to build up a 'scheme of reference' then for them every new fact will take on significance, every new situation becomes an object of active inquiry." The advisers do not pretend to more than a makeshift articulation of this scheme. It is a task which involves all the essential problems with which men deal. No formulation of it could ever be final.

With these fundamental ideas in mind, one is equipped to understand the actual activities of the student. In his first year he is reading about and discussing Athenian civilization at the time of Pericles. This era was chosen mainly because its literature, original and contemporary, was best suited to the needs of the college. In his second year, the student is studying contemporary America. The hope is that he will be contrasting the two civilizations and using the intelligence and understanding thus acquired in the solution of the problems of his own world.

The interpretation of this vital activity provided one of the college's clearest lessons. Originally it was thought that the goal of intelligent living would be achieved as the last of four processes, of which the first three were (1) the learning of the Athens of Pericles; (2) the learning of nineteenth century America; (3) the contrasting of the two. The advisers soon found that these activities were not separate. From the beginning of the first year the student must

be carrying on and perfecting the last process.

For the course of study this meant a shift in emphasis. Instead of putting the two civilizations on the dissecting table and seeing what made them go—as the project was described to its first class—the student, continuing the figure, was to concentrate on psychoanalysis. Inasmuch as the subject of the first year was a corpse, albeit not unmourned, the chief value the student found in it was the light it threw on the live and challenging subject of the second year. As a sophomore, the student is no longer a student of "civilization," but of the specific human situations in the world around him. Already he is beginning to assume the responsibilities of intelligent living.

What was it then that the advisers gave the students to do? The outline following is from the comparatively refined course of study developed in the fourth year of the college. The first week of work might be called (although the advisers assuredly did not call it so) an introduction to the Greek spirit. The funeral speech of Pericles was to be read and a paper written analyzing it. Other reading included three of the Socratic dialogues and a play from each of the three great writers of Greek tragedy—Aeschylus, Sophocles and Euripides.

Then followed a phase-by-phase study of the entire civilization. Athenian imperialism was taken up and attention was given to its moral implications. A long period followed devoted to economic, political and social relations. They were studied in terms of the creation of wealth, the conflicts of wealth, the function and structure of government. The correlation of these studies was accomplished in a thorough consideration of Plato's *Republic* as a political utopia. Then came periods devoted to the study of art, literature, religion and science. Somewhere in the midst of this work a week was taken off for the discussion of the following propositions:

"So far we have been making a phase-by-phase study of the various activities of Athens. But there is an important question, as yet only suggested, which should be squarely faced before the end of the year: To what extent were these different activities interrelated in the experience of the individual and of the community as a whole? We must try to find out what sort of values the Athenians prized most, and how they sought to realize them. In other words, what is the total picture of their community life, and how far did they succeed in creating what may be called a great civilization?"

It is apparent from this assignment that the advisers were determined that the basic purposes described above be before the students constantly. The freshman studies closed with five weeks devoted to philosophy and a month spent in the writing of a paper on some special phase of Greek life.

At the end of the first year, the students were informed of one of their main tasks as sophomores—the preparation of a "regional survey." Each student chose a modern American community for special study. After an examination of its geography and population and the influence of these two factors on its destiny he was permitted to pursue the survey in one of two ways—either as a general description of all the activities in the region or as a detailed study of some special aspect for which the community was noted or in which the student was particularly interested. Work on this survey ran concurrently with other studies during the first half of the sophomore year.

The first assignment after the Summer recess brought the student face to face with the machine age as the

vital difference between the two civilizations he was studying. He was required to read *The Education of Henry Adams,* a book which acted as a sort of integrating vehicle for the studies of the second year. He then plunged into a study of science which included laboratory work in physics. Obviously the intent during these six weeks was not the acquisition of scientific information to be remembered. It was rather the understanding of the method and significance of science in the modern world.

The next assignment comprised readings in travel, settlement and the contact of cultures, with a paper on the following topic: "Describe the expansion into your home region of the culture of Western Christendom. Why did it come to that region? Through what individuals or groups was it brought? How was it affected by the natural surroundings and resources of the region? Has a new indigenous culture developed? Or is the culture of your region—technological, religious, agricultural, literary or whatever other aspects it may possess—an incident of a larger national or world society? Explain and discuss these questions in concrete terms."

A six weeks' study of politics and economics culminated in the writing of a paper as follows: "You have just been elected President of the United States or Governor of your State. Prepare your inaugural address, dealing with the current industrial depression. This will require, of course, some discussion of your general outlook upon social questions and social institutions, your view concerning the immediate situation, any proposals for dealing with this situation which you think desirable, with some account of their relationship to the existing political and economic system, and some argument designed to carry a sufficient body of popular sentiment with you for securing legislative support of your measures."

The next three weeks were occupied with a study of three appraisals of American society as contained in the memoirs of Americans of "unusual experience, sensitivity or achievement," such as Franklin, Emerson, Thoreau, Carnegie, Jane Addams and William James. Then followed a month devoted to American literature. During this time the class was divided into groups working on special literary projects involving critical and creative writing. Another month was given over to the preparation of a critical essay on *The Education of Henry Adams.* The concluding period of study is described in Mr. Meiklejohn's memorandum to the students:

"We may conceive the work of the past two years as a study of the attempts of two widely different groups of people to conduct an ordered and successful social life. Their arrangements for producing goods and sharing in their consumption, their modes of government, their social institutions, art, and science, have all been the subjects of our investigation. The study of fifth century Athens soon revealed the presence in society of men who criticized existing arrangements and deplored their effects upon the welfare of the group. The most important of these critics of society was Plato, whose reflections upon man and society resulted in a view of human nature which has influenced thought about these matters ever since. Likewise, as we have found, modern industrial America has its critics; and the literature devoted to the criticism of existing institutions is increasing in volume. Many of the views expressed, however, leave unexamined the view of human nature, intelligence, its nature and function, which serves as their basis. It will be our purpose during the remaining weeks of the year to make as careful and critical a study as possible of one view with respect to these mat-

ters that has had wide acceptance during the last twenty years. The book that will be used in this study is John Dewey's *Human Nature and Conduct*."

In the assaying of teaching methods and living conditions the Experimental College found a simpler task. The advisers felt that no student that needed forced or artifical methods to make him study could be depended upon to direct his own affairs intelligently. Therefore the pursuit of his studies was placed in the hands of the student. Periodically he was given his assignments of work. They included a list of required and suggested reading matter and the subject of the paper, if one was to be written. In addition, there was usually a schedule of talks on the subject matter at which attendance was not taken.

The basis of the teaching scheme was the personal conference between student and adviser. At least once a week these two would meet to talk over the student's progress. These conferences were not unlikely to end in discussions of life or the latest moving picture. Informal and unscheduled conferences were frequent. In this way the advisers criticised and guided the work of the students. The development of a third form of meeting in which each adviser led about a dozen students in weekly discussions was not completed satisfactorily. The class talks and personal conference, however, proved to be effective aids to the student.

One of the "preliminary hypotheses" of the advisers was that all students were to live together in the dormitories. A few of the advisers lived in the dormitories too and the rest had offices there. Thus was created a "community of learning" in the physical as well as the intellectual sense. But it was a community of learning free of classrooms, classes, "quiz sections," examinations, text books, lecture note-books, professorial ponderosity and the rest of the paraphernalia of modern education. Instead, there were rooms where students lived, a refectory where they ate, books which they read, dens where they came together, advisers with whom they conferred and discussions of their common intellectual enterprise which they carried on endlessly.

Inasmuch as the student body of the college was a representative one, the social and intellectual cleavages which arose were also typical. There was the division between fraternity and non-fraternity men. This difference persisted throughout the life of the college although at the end the fraternity men were only a handful. On the other hand, the separation between "radicals" and "conservatives" and between Jews and Gentiles was narrowed considerably. In the pursuit of their common aim the students seemed to have lost the foundations of their prejudices.

Being part of the university, the students of the college were permitted to participate in all its extra-curricular activities. This they did with gusto and success, although a few took undue advantage of the freedom which the college afforded. But more important were the extra-curricular activities peculiar to the college—plays, forums, painting, modelling, specialized discussion groups. These activities were not fostered. They arose when the students felt them to be of value and lapsed when they were no longer so regarded. They were always indigenous to the college.

It is as natural for observers to ask about the "results" of the Experimental College as it is for the advisers to shy at that word. In view of the magnitude of the task assigned them, they feel that little of their work can be called conclusive. Consequently the advisers are most concerned that the inquiry be kept up. To this end they have recommended that the Experi-

mental College be continued and that four additional units be established, one of them to study the problems of the junior and senior years. These reccommendations are now being considered. The one result which Mr. Meiklejohn will concede is that a possible course of study has been formulated and is ready for consideration.

However, an incidental suggestion regarding the organization of liberal arts colleges has risen out of the experience of the Experimental College. Wherever such colleges have grown to intellectually unmanageable proportions Mr. Meiklejohn would break them up into groups of about 200 students. Each group would have its own faculty and would pursue its studies in its own way. Under such an arrangement it is hoped that the student would recapture the sense of "belonging" to a group in which the comradely amenities of college life would flourish. Such a break-up, it is felt, would also be of value to the teachers because of the closer intellectual contact it would bring about among them.

In contrast with the educational crazy-quilt in the United States today the Experimental College is like a blanket of a solid color. While almost every institution has been touching up its system here and there, Wisconsin has boldly set about constructing one that is entirely new. Some educators are attracted by individual features of the Experimental College and would like to see a compromise between it and the present practices. To this writer it appears that such a point of view does not take account of the essential unity of the college. One must, it would seem, either accept or reject its precepts. Certainly there are other ways of putting them into practice, ways that should be tried. But it is inconsistent to admit that the principle of integration is primary and at the same time say that a few lecture courses in mathematics or zoology would be of value. To many people who see eye to eye with Mr. Meiklejohn on the purposes of liberal education, the Experimental College represents an unanswered challenge to American education. At any rate, it seems clear that change in liberal education is pointless unless it has a direct relationship to some such dominating purpose as guided the Experimental College.

The question will be raised, how a radical experiment of this kind fared in a State university sensitive to the vagaries of politicians and the whims of public opinion. Officially there can be no complaint. But the real answer may be found in an introduction to a university bulletin describing the Experimental College in which President Glenn Frank wrote that if he had a son of college age he would send him to it. This was no accidental compliment. It was made advisable by the fact that insidious rumors concerning the college had been so effective in Wisconsin that there was difficulty in filling its quota of students. Students from outside the State far outnumbered Wisconsin residents. While it is to Wisconsin's credit that a project like the Experimental College should have been conducted under its auspices, it must also be said that the intolerant atmosphere in which the college was forced to work and which burdened it with unnecessary difficulties, did no credit to the fine spirit in which it was conceived and brought into existence.

The Mikado: Japan's Ruler By Divine Right

By P. W. Wilson

An interested world, uncertain of the future, is watching the development, the expansion and the domestic difficulties of Japan. The tragedy of Shanghai, the absorption of Manchuria, the rumblings of collision between Japan and Russia, the attitude of Japan toward the United States and the Philippines, the alleged entente between Japan and France, the place of Japan in the League of Nations and the struggle within Japan between reactionary and progressive forces are matters which, taken as a whole, offer a wide field for speculation.

At the centre of the scene there stands, lonely, remote and erect, a young man who was born in 1901. Clad in close-fitting uniform, he is slightly built; his face is smooth save for a slight mustache, while spectacles suggest the scholar. His features, especially the eyes, invite sympathy, but his emotions are under the perpetual control which is characteristic of his race. Such is the outward appearance of the Emperor Hirohito.

It was amid quaint and ancient ritual that, in 1926, Hirohito, after serving as regent for his invalid father, himself ascended the throne. Seldom breaking silence, he is still the inscrutable. It is true that at his accession he raised a resonant voice and proclaimed a rescript that contained these proud words: "Our heavenly and imperial ancestors, in accordance with the heavenly truths, created an empire based on foundations immutable for all ages, and left behind them a throne destined for all eternity to be occupied by their lineal descendants." But as an All Highest, he does not rattle the saber; he only holds it in reserve. What the world wants to know is the actuality behind the forms and the phrases. What are the powers wielded by the Emperor? What is the inner working of his mind?

When the Western World first caught a glimpse of the Japanese Monarchy, the instant sensation was amusement. Over the Anglo-Saxon attitudes adopted at the Court of King Arthur, Mark Twain's Yankee had enjoyed his laugh, and so was it with the intricate etiquette of the Japanese court. Here, as ceremonial, was what connoisseurs of painting admire in a "primitive." Picturesque to the eye as the illumination of a monk's manuscript and as little understood by the mind as the Japanese language itself, the quaint customs offered a field for kindly, if condescending, caricature, and it was the Mikado who provided Gilbert and Sullivan with a theme for their most famous operetta. These witty collaborators intended no offense. But it was taking a chance to compose the lines:

> From every kind of man
> Obedience I expect.
> I am the Emperor of Japan,

and the spirits of a thousand ancestors made it their "object all sublime * * * to let the punishment fit the crime." Out of respect for susceptibilities in Tokyo, the Lord Chamberlain in London put a ban on the musi-

cal comedy. Happily for the joy of mankind, the ban was soon lifted and Pooh-Bah was released on parole. But the warning was unmistakable. Henceforth, the Japanese throne was to be treated with the respect due to any other sovereignty.

Of the past, with its elaborate ceremonials, Hirohito is constantly reminded by frequent pilgrimages to the shrines of previous Emperors. Every detail of a complicated etiquette has a meaning. It emphasizes the fact that the Emperor rules by divine right. So absolute is his sovereignty, sacred and secular, that there is no superior functionary in either field to place a crown on his head. His "coronation" is thus merely an assumption of a dignity already his own. The Emperor appears already covered by a close-fitting cap of gold or copper, with a curiously uplifted horn at the back. This horn used to sustain a queue of hair, but its significance is now symbolic. Nobles wear it horizontal. Guards have it rolled up. Only the Emperor may appear with it erect, and with head so covered he takes his seat upon a throne which is itself a triumph of the Japanese art that achieves a splendid result in simplest terms. The Emperor's scepter needs no glitter. In his celestial hands a plain wooden baton is sufficient to enforce authority.

The ultimate emblems of sovereignty are three and each is preserved in its own temple. The sword suggests conquest. The jewel or necklace, being crystal, indicates purity of government. Most mystic of all is the mirror, reflecting through the ages untold the ancestral spirits who brood over Japan's unfulfilled destinies. In processions, the three emblems are borne in the Kashikodokoro, a shrine more revered even than the Emperor's own state coach, made after the model of such royal vehicles in Europe—à la Louis XVI—with a phoenix rising above the roof. The Kashikodokoro is borne by youths clad in pink garments, with leggings of grass and straw shoes. The boys are from the village of Yase, selected by soothsayers, who used tortoise shell as a means of divination. Subjected to the sun's heat, the shell cracks and there are rules for reading the somewhat subtle cryptogram thus initiated.

It is this mysticism that is associated with an uncompromising modernity. From earliest babyhood, Hirohito was surrounded by Western influences. His classroom in the palace was equipped as a kindergarten and it had its blackboard over which two Japanese ladies presided. Later, the boy attended the school of peers and afterward his education was by tutors. It was broad in its scope and as exacting in its discipline as, let us say, the Prince Consort's upbringing of the future King Edward VII. The Emperor speaks French, German and English. At formal audiences he is assisted by an interpreter, but this arrangement merely means that it would not be etiquette for him on such occasions to be liable to a slip of the tongue in a foreign language.

In the arrangement of his day, Hirohito has passed definitely into the Western vogue. He is a prompt and well-disciplined man of business. He rises early, eats what would be entirely normal as an American breakfast and then devotes the morning to occupations which, in a monarch, are unusual. The routine of the royal office is postponed till later in the day. The earlier hours, when the mind is at its best, are reserved for study. The newspapers are read, not in clippings selected by secretaries, but as a whole. Professors and other authorities visit the Emperor and give him what amounts to regular instruction on social, political and economic questions. When he meets his guests at luncheon it is therefore with a mind well furnished with the latest information.

In simple domestic fashion, Hirohito has glimpses from time to time of the Empress and the little princesses. Exercise is taken after lunch. The

later afternoon is usually the time for audiences and signature of documents. Moreover, the Emperor is able to keep his mind clear amid a multiplicity of duties by using different rooms for various kinds of correspondence. Public functions somewhat interrupt this order of the day, and if the Emperor opens Parliament or reviews his army and navy, if he holds a garden party or receives Ambassadors, his uniforms, naval and military, his salutes and other incidents of the occasion are as definitely Western as they would be at Buckingham Palace or Westminster.

The intellectual relaxation of the Emperor is in line with the severity of his tastes. He is a serious student of biology. His grandfather, Mutsohito, maintained his health by daily submission to that massage which in Japan is a fine art. Hirohito is fond of riding and swimming. Also, he plays tennis and golf. In 1922 he was visited by the Prince of Wales, six years his senior, and they enjoyed a round on the links in the royal park. As neither heir to an ancient throne would be permitted to beat the other, the score cards were torn up.

It may be only a coincidence. But there were two decisions in which, defying the more conservative aristocracy, Hirohito followed the example of the Prince of Wales. First, he determined to see the world for himself. By tradition, the Sons of Heaven had dwelt within "the Forbidden Enclosure," as secluded as the Grand Lama himself. Some Emperors, submitting to the tonsure, had become monks. When receiving a Minister in the old style, an emperor was hidden by a curtain and it was only when thus concealed that he could look upon a play or the dance privately performed for his special benefit. Even so, he was careful only to turn half his face—the profile—toward the actors. It is true that at his accession in 1868, Hirohito's grandfather, the great Emperor Mutsohito, maker of modern Japan, proceeded to Osaka and for the first time caught a glimpse of the sea. Yet the emancipated Mikado still traveled in a gorgeous black-lacquered car drawn by white bullocks in which—carefully withheld from the public gaze by curtains of split bamboo—he sat unseen. No prince of the blood had ever crossed those waters, and it was with an effort that the former Emperor had recognized the existence of a distant island called Britain, made of the mud and foam which had been left over when his ancestors created Japan. Many were the Shinto rites by which white-robed black-capped priests averted the perils of contamination that accompanied a visit in 1869 from Queen Victoria's second son, the Duke of Edinburgh.

This was the background out of which, in 1921, Hirohito created a precedent by sailing away over the four seas. During his grand tour of Europe he insisted upon seeing the usual sights. He was the first of his illustrious family to attend a public theatre. He shopped in stores, and, abandoning royal custom, he handled money. Also he tried his luck as a passenger on the underground and was even berated by a gatekeeper when he failed to show his ticket. On his return, there was another innovation. The people still closed their upper windows as he passed lest inadvertently they should look down on their future Emperor. But they greeted Hirohito no longer with bowed heads but with thunderous shouts of "Banzai!"

Secondly, Hirohito, like the Prince of Wales, refused to listen to any dictation on the choice of a wife. From time immemorial, the Mikados had married the daughters of mighty chieftains. In due course there arose an assumption, based on convenience, that the Empress must be chosen from the daughters of five sacred families. Also, in order to safeguard the succession, it was ordained that twelve subordinate wives be selected for the Son of Heaven, and the mother of the

great Mutsohito was of this status. But during the progressive reigns of that Emperor and his successor, Moshihito, the recognition of the Empress as sole consort of the Emperor was emphasized in ceremonial.

There is a pretty story that as a boy the future Emperor Hirohito was in the gardens of the palace when suddenly he encountered a little girl who happened to be separated from her escorts. Greatly embarrassed, this child was so eager with her curtseys that she lost her balance and was only saved from falling by the hand of the Prince. Whatever be the truth of this legend, Hirohito determined that with this vision of petite charm and none other would he share his prospective throne.

The maiden was the Princess Nagako, daughter of Prince Kuninomiya. He was of royal blood, belonging to a collateral branch of the reigning house, but he was not of the five sacred families which had enjoyed the privilege of providing empresses. No less serious was the fact that through her mother the Princess Nagako was descended from the Satsuma clan, which has been influential in the navy. For this reason Prince Yamagata, head of the rival Choshu clan, which is powerful in the army, was bitterly opposed to the match. A decisive factor in the triumph of romance was the attitude of the people. In scores of thousands they visited ancestral shrines and prayed that nothing should be permitted to interfere with the marriage. It was not alone that all the world loves a lover. Nor was it alone a defeat for the Choshu clan, as such. It was an assertion of public opinion against an attempt by any aristocratic faction to dictate to the Son of Heaven.

It is confidently believed that the marriage has resulted in domestic happiness. But there has arisen a question seriously affecting the succession. Four Princesses, of whom three are living, have been born to the Emperor and Empress, but not yet a Prince, and in 1889 an imperial house law had laid it down that the heir must be a male. As things stand, the succession thus falls to the Emperor's younger brothers in turn, and it is understood that the birth of a son to either of these brothers prior to the birth of a son to the Emperor would be an event lacking somewhat in respect.

The marriage of the Emperor and his elevation of the Empress to a throne at his side were solemn affairs. The Samurai again donned their ancestral armor, again were equipped with halberds, swords, bows and arrows. Ladies were swathed in numerous kimonos, the sleeves of which, one within the other, indicate respect claimed and conceded. The ritual dances were strictly performed and the advance of princesses across a hall of the palace absorbed all attention for a couple of hours.

Between the Japanese and the European monarchies there is a difference that immediately strikes the eye. In Europe and, indeed, in India and Persia, the Court is obtrusive and spectacular in its pageants. Palaces face the streets and the parks. Kings and princes appear frequently at functions. Not so in Japan. The sentries who stand at the gates of the royal domain may be no longer equipped with halberds, bows and arrows. Their uniforms and weapons may be more modern than the finery of the stately troops who "change the guard" in London. But from the up-to-date and busy city of Tokyo the palace is separated by triple wall and moat. There is no balcony where emperors may bow to the people.

The palace is built in Japanese style. Mainly of one story, with high curving roofs, it spreads in bungalows over a wide area, containing corridors rather than stairs, and many enclosures. According to the canons

of Japanese art, ornaments and pictures are reduced to a minimum. But the delicate severity of the interiors is relieved by flowers and the exquisite polish of paneled wood. The gardens are free of those statues and vases which encumber, let us say, the avenues of Versailles. To the Japanese, the trees and their blossoms, the running water and the green of grass are enough for beauty. Grandeur is expressed in perfection of neatness and orderly design. There is a private golf course. There is the road for riding.

The tradition of quietude, which is still associated with Japanese rulers, is a product of the past. The very term "mikado" expresses it. We may read it in two ways—mika-do, awful place, or mi-kado, honorable gate (what the Turks called a "sublime porte"), but in either event it suggests not a person but a locality. A village called "Mikado" is marked on the map. It was by seclusion that the impersonality of the emperors was symbolized. There were multitudes of simple folk whose veneration for the unseen Son of Heaven was so profound that they remained in ignorance of his name and, in sharp contrast to modern journalism, the literature of the country maintained silence as to his private life. The announcement of an Emperor's death used to be postponed for any convenient period. It was not until the advent of Hirohito that medical bulletins of royal illnesses began promptly to be issued.

Only along the path of the past can we approach to an understanding of the Emperor's prestige in the present. Among Japanese historians, orthodoxy may permit a respectful argument over the origin of the throne. Some declare that the dynasty created the nation. Others suggest that the nation had something to do with creating the dynasty. But it would be audacious for a Japanese to deny that a people, themselves divine in origin, received from the Sun Goddess herself their earliest Emperor, or that the first of the human rulers, Jimmu Tenno, founded the realm in the year 660 B. C. Critical research may declare that authentic annals do not carry us beyond the fifth century of the Christian Era, that courtier scholarship elaborated the mythical reigns of the seventeen earliest Mikados, attributing to them a patriarchal longevity and that the perspective was thus extended for 1,000 years. The firm answer is that Hirohito has behind him 2,500 years of a continuously ruling family and is himself the 124th Emperor!

But the divine in the Japanese monarchy has been associated with the human. Rivals have arisen to reign over a divided country and treason has been revealed in plots, assassinations, enforced suicides and in the exile and imprisonment of various Mikados. Nine Empresses have reigned in their own right, sometimes under the influence of favorites, and the nobles were persistently turbulent. Hence the curious dual authority of which the monarchy is today the survival. Ten Emperors reigned. But the administration passed to the Shoguns, and from 1600 to 1868 the Shogunate was hereditary in the family of Tokugawa who, entrenched in their fortress of Yeddo, with an army of 80,000 soldiers at their back, governed Japan. Ritually, the Shogun ranked as the Mikado's ape. In fact, the Shogun's throne with its curtains, was uplifted on a dais. He had his sword-bearer and, in granting audiences, he demanded prostrations. Fifteen of the Tokugawas thus governed in the name of fourteen Emperors and two Empresses. It was the Tokugawas who destroyed all seaworthy ships, expelled Portuguese and Spanish missionaries, and only permitted the Dutchmen at Nagasaki to continue their trade because they were not held to be Christians.

The Shogun treated the Emperor with all reverence. The palace in Kyoto was rebuilt. The revenues were increased. But the aim was to elevate the Mikado into the prestige and, therefore, the impotence of an idol, and Buddhism assisted in evolving the priest king. A ceremonial was developed which, like the long finger nails of the Chinese and the bound feet of their women, elevated lassitude into a dignity. So sacred was the Emperor's person that never must he put his foot to the ground, and if he wished to mount a horse four men had to assist him. Princesses were no less handicapped. They could drink no tea unless a maid lifted the cup to their lips, and if they sneezed, it was a maid who must apply the handkerchief. It is in defiance of this tradition that, in the morning, the present Emperor insists on dressing and shaving himself.

At first sight, the triumph of the Mikado over the Shogun—of the shadow of power over the substance—is inexplicable. But it was the weakness of the Emperor that saved him. "The Mikado," it used to be said, "all men love—the Shogun all men fear." Over the predominance of the Tokugawas, the nobles as a class were irate. Against the Son of Heaven there was no such hostile sentiment. Within the imperial flower gardens of Kyoto, surrounded by trees and flowers and rocks and streams, there dwelt the sovereign in a palace, the simplicity of which was proof that divinity on earth needs no adornment.

When, therefore, an avalanche of Western ideas smote Japan, it was the Shogunate that absorbed the shock and disappeared. The powerful house of Tokugawa suffered inevitably a period of comparative eclipse. But in 1921, Prince Iyesato Tokugawa, grandson of Keiko, the last reigning Shogun and president of the House of Peers, represented Japan at the Naval Conference in Washington. Also, the youthful Princess Kiku Tokugawa was married in 1930 to the second brother of the Emperor, Prince Takamatsu and, as a honeymoon, made the grand tour of the Western world, not forgetting the United States—where the strictly Parisian trousseau of the bride was much admired.

Under the Shogunate, the Emperor of Japan was, in effect, a constitutional monarch, accepting the advice of Ministers. This is still his position. During the reign of Mutsohito, the advisory power was exercised by the Genro, or Elder Statesmen, to whose authority, when it came to acid tests, Cabinet and Parliament were subordinate. One by one, the great personalities of the Genro have been passing away and they have left few successors.

The extension of the franchise in 1925 means that Japan, emerging from oligarchy, has to face a Parliamentary régime—and, in these days, that régime in itself is nowhere a certain remedy for all ills. The depression has aroused Japan, like the rest of the world, to consciousness of economic realities. Labor is organized and touched, here and there, with communism. It is found that politicians may not be in every instance wholly immune to financial arguments. The price of rice, the Chinese boycott of Japanese exports, commercial crises—all the jolts and jars which also trouble the United States—are affecting Japan.

Through all these changes and confusions, the Emperor is not so much an authority over Japan as a personification of Japan. He is too divinely representative to be, like Louis XIV, his own Minister. He does not initiate. Like the Sacred Mirror, he reflects. Whatever influence moves Japan—imperialism, socialism, progress, reaction—it will be national in its momentum, not royal. The Emperor will be within the picture and part of it. Revolution against him would be revolution against the people themselves.

The Doctor and the Public

By HERMAN F. STRONGIN, M. D.

ALTHOUGH the physician has since the dawn of rational medicine worked more or less on his own account, recent social changes have affected his profession. Public health has become a matter of concern to the State as well as to the individual citizen, with the result that the practice of medicine must inevitably submit to some sort of direction. What form is this direction to take? Should it be a complete system of State medicine, as in Soviet Russia, where the physicians are public servants and the entire cost of educating the doctors and their salaries when qualified are borne by the government? Or, on the other hand, should the movement toward socialized medicine which has already begun in the United States be carried more boldly forward?

Let us begin by asking what makes the present relationship between doctor and patient undesirable to the parties concerned and at the same time inconsistent with national welfare.

1. Although there are more physicians practicing in the United States than in any other country in the world (one to each 753 persons), and a somewhat proportionate number of dentists and nurses, their distribution among the people remains entirely uncontrolled, so that the large cities are oversupplied, while outlying districts do not receive adequate attention.

2. Good private medical treatment is still too expensive for the average citizen.

3. The cost of medical care is very unevenly divided among various social and economic groups.

4. The issues have been confused by the increase in the number of quacks and charlatans, who are given their chance, as Dr. Abraham Flexner puts it, by "the very candor of scientific medicine," since "just where the scientific physician admits his inadequacy the charlatan is most positive."

5. The charitable load carried by physicians is tremendous and almost beyond calculation.

6. The average citizen does not know how to budget his sickness expenses and provide for an emergency.

This last point should not be passed by without a few words of comment. It was pointed out several years ago that fully $21,000,000,000, one-quarter of the national income, was being spent each year in this country on such luxuries as motoring, entertaining, candy, beverages and vacations. In 1930 another writer showed that $2,000,000,000 was spent each year by American women on beauty culture. Yet Dr. Homer Folks has estimated that only $15,000,000,000 a year is expended on all medical costs in the United States, and that the entire investment in hospitals does not exceed $6,000,000,000. The lesson is obvious. Somewhere something is radically wrong!

Approaching the problem from another angle, an editorial in *The New York Times* recently remarked: "Very roughly we may say that the rich pay a great deal more for medical care they receive than the service costs. The great mass of the people pay more than they can afford, but less than the service costs. The poor receive expensive treatment and pay nothing. It seems probable, although precise figures are lacking, that the amount which the American people

pay out of pocket as individuals for medical care is considerably less than actual cost of the service they receive. The difference is made up from three sources—drafts on tax funds for public health service, the beneficence of individuals who endow hospitals, and the generosity of the medical profession."

It would seem, all factors considered, that organized medicine, carrying more than its share of an apparently unnecessary philanthropic load, should be more than willing to shed such a burden. Yet, paradoxically enough, most of our physicians are not ready to accept State medicine, probably because no system has been advocated which appears to be equitable to all and without inherent defects otherwise.

An elementary sort of socialized medicine has long been practiced. Almost as soon as population became centred in cities the necessity of protecting public health by organized means became evident. Hospitals had appeared in the New World soon after its settlement, the first in what is now the United States being founded on Manhattan Island in 1663. In the eighteenth century genuine socialized medicine arose from the efforts of mutual protective leagues and trade guilds to provide health insurance for their members. Eventually, by about 1850, Legislatures in this country were forced to recognize the menace of uncontrolled hygienic conditions and established many of the public health services now in operation. Further advance in governmental public health legislation was marked by the enactment of pure food laws in New York, New Jersey and Michigan in 1881 and by the passage of the Federal food and drug acts in 1906.

For obvious reasons these changes were in themselves unable to displace the individualist physician. He was, as the Commission of Medical Education showed in 1927, capable of caring for about 90 per cent of his patients in his office or at home. This, added to the fact that early hospitals had acquired an unsavory reputation as institutions of carnage, explained why it was that the drift from private offices to public institutions proceeded very slowly. But with the remarkable advances in medicine and ancillary sciences in the present century, rapid strides toward socialized medicine could be made.

It was long ago observed that "there is nothing men will not do—to recover their health and save their lives." These very human desires became more pronounced as the new order of things brought them nearer realization. Simultaneously, the knowledge that good health contributed directly to the higher earning power of the masses and indirectly to increased financial returns for the employer, led to greater efforts for the collective care of patients. Of foremost importance chronologically and otherwise is the part played by the clinic. Dispensaries for the poor had appeared first in Philadelphia in 1786 and later in New York and Boston. At first only those patients who could produce a subscriber's card were accepted, but by 1830 a more humanitarian system was substituted. Not until the early 1900s, however, did clinics become agencies for preventive measures against tuberculosis, infant and maternal mortality, and venereal and mental diseases.

Once the movement for more clinics really got under way, the growth was phenomenal. There were about 600 in the United States in 1910 and approximately 6,000 in 1927. Even more striking are the figures presented in a report to the Medical Society of the County of New York in March, 1932: "In the last ten years the number of visits made to the dispensaries of New York City has almost exactly doubled. The actual figures show an increase from 2,783,147 in 1920 to 5,624,251 in 1930." Philanthropic foundations, established chiefly within

the last few decades, as well as private contributions, are largely responsible for the growth of these clinics. The great disadvantage of this paternalism is that it has no doubt increased the opportunities of those who are always ready to get something for nothing, or next to nothing.

As the financial burden of carrying the vast number of patients who flocked to the clinics grew heavier, there gradually developed a tendency to establish fee systems and to advance the rates to out-patients. From a 10-cent fee to cover all visits in the early part of this century, small increases have been made, until the patient at a clinic nowadays pays regularly 25 and often 50 cents. In pay clinics the average fee is about $2.50. Yet even the larger fees, together with the philanthropic contributions, are frequently insufficient to cover the expense of the service. Contributions of the members of the medical profession alone in the way of gratuitous service have been estimated at $365,000,000 annually—an amount greater than "the entire contribution to society in the last twenty years of the medical and quasi-medical foundations" together.

From the ordinary clinics have grown certain giant organizations, the most striking of which is the Medical Centre. Physicians themselves have not been slow to realize that altered conditions demanded other forms of practice. Many stepped forth from their individual offices and formed what might be called group practice pay clinics. The first and best known of these is the Mayo Clinic, first organized as a partnership in 1887 and now developed into a huge enterprise employing 386 physicians and dentists and 895 laymen. From the World War came group clinics, which have been established as a direct result of experiences gained by physicians working in specialized groups at draft examinations or in actual service.

The draft examinations also served to show how much was to be gained by the practice of preventive medicine. Like other progressive ideas, preventive medicine has been only gradually accepted. We hear about its existence in England as early as 1861, but for many years practically nothing was accomplished. The task still remains unfinished. In this country Dr. Hermann M. Biggs, who died in 1923, will always be remembered for his devotion to the cause. His statements that "public health is purchasable" and that "within certain limitations a community can determine its own death rate" stand out as a classic utterance and an inspiration to those concerned with and responsible for the public welfare.

The scope of preventive medicine on a socialized basis is wide, and includes such fields as infant and child welfare and maternity care. In 1921 Congress passed the Sheppard-Towner act which authorized an annual appropriation of $1,240,000 for five years (later extended to eight) for maternal and infant hygiene. Each State was given $5,000 outright and the remainder of the appropriation was used to match State money for approved maternity and infancy work. Shortly after the World War periodic health examinations were popularized by private corporate organizations, and later large insurance companies spread the much-needed propaganda throughout the land. Organized medicine endorsed the health examination in 1922.

From the war came other movements for the public welfare. As early as 1908 the American Government had officially recognized the workman's compensation scheme by the enactment of legislation providing limited benefits for designated classes of government employes, and later enactments by various States further demonstrated the advantages deriving from group health protection. With the advent of the war industries throughout the country adopted vari-

ous plans, and in 1928 one corporation alone spent $900,000 to provide medical service for 15,000 workers and their dependents.

There is little doubt that the development of socialized medicine, the growth of medical administrative organization, the rise of numerous divisions and subdivisions of medical science and the tremendous increase in the personnel of complex welfare organizations have dealt a severe blow to the old-time individualism and dominance of the physician and have created a trend toward private and governmental paternalism. There has been evolved a form of medical charity which, although not yet fully matured in that it lacks compulsory features, challenges organized society. In other words, the practice of medicine in America has been socialized up to, but short of, the point where it falls under the complete control of the State.

What does State medicine mean? Socialized medicine embraces State medicine when used in its broadest sense. It does not, however, include the compulsory element which is essential to State medicine. Nor do all aspects of socialized medicine fall within the purview of State medicine. To put it briefly, the latter is that form of socialized medicine which possesses the added feature of compulsory sickness insurance provided for each individual by some governmental agency controlling a central fund raised by direct or indirect taxation.

In Europe State medicine has been given not one but several trials. In fact, we find there every gradation of "institutionalized medicine," from the highly organized type in Russia to what might be termed individualized State medicine in England. The whole movement was first inaugurated in Germany after Bismarck's anti-socialistic manoeuvre in 1881 and within a decade some form of sickness insurance had found its way into the national legislation of Austria, Hungary and Norway. Since 1891 Russia, Great Britain, Bulgaria, Portugal, Poland, Greece and France —to say nothing of Japan and Chile— have followed suit, the European countries in the order given and Japan and Chile in 1922 and 1924 respectively.

Although the types of State medicine adopted in Europe are many, certain general features may be discerned:

1. Twenty of the twenty-three countries examined restrict their insurance to wage earners.

2. The extent of the protection afforded varies greatly. For example, in Germany dependents are included, whereas in Great Britain only the insured person is included. Other countries provide for maternity "coverage," invalidity, old age and burial.

3. The insurance is made mandatory on employers and employed alike, and in this respect differs from the voluntary insurance systems adopted in a number of other foreign countries with the aid of State subsidies.

4. The money for the central fund is derived from three sources: (a) regular taxation, (b) the insured individuals, (3) direct assessments of the employers.

5. Provision is made for the insured individual to obtain medical care, drugs and hospitalization for well-defined periods. Such expensive accessories as orthopedic appliances and eyeglasses must be paid for by the patient.

6. The private home is maintained as a unit of the system.

7. There are certain definite limitations in regard to the income of the insured individual. For example, in Germany any worker between 16 and 70 years of age with an annual income under $900 is entitled to be a recipient of the benefits of the act. In Great Britain $1,250 is the boundary line, while the city of Vienna gives protection to all its workers regardless of their salary.

8. Except in Russia, doctors may, if

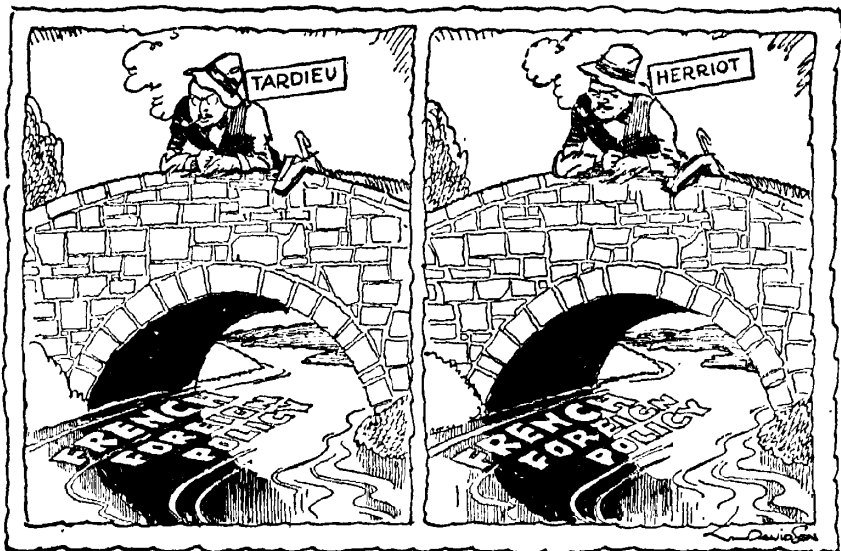
they desire to "serve the State," have their names listed in specified zones. There is no compulsion, but for most physicians acceptance is imperative if they are to continue existence.

9. *Restrictions in choice of doctor* are limited.

Much, of course, can be said for the practice of State medicine in Europe and many have sung its praises. In addition, the casual observer is likely to be so blinded by the virtues of the schemes that he is entirely oblivious to the many defects. In Germany the latter are especially conspicuous once one delves beneath the surface. In fact, a Danzig doctor of two years' experience with the "sick fund" has gone to the trouble of publishing a strong denunciation of the system. Some of the objections in his indictment that have been verified by capable foreign observers are as follows:

1. The intrusion of a third party interferes with the confidential relationship between doctor and patient.
2. Sickness insurance undermines manliness and leads to cultivation of malingering.
3. A really sick person does not secure the treatment required.
4. The administration of the sick fund is very costly, requiring thousands of official employes, luxurious buildings, &c.
5. Sickness insurance, like any dole system, is bound in the long run to lead to moral deterioration.

But this is not the place to enter upon a discussion of the numerous advantages and disadvantages of State medicine. That is a story to be told by itself. The question of the relationship of doctor and patient, however, and the maintenance of the physician's individual status can not be brushed aside without serious consequences. Nor can we overlook the importance of national psychology, social structure and political factors, and succumb to the temptation of transplanting a European form of State medicine on American soil. But it is possible that the intensity and further duration of the present depression may accelerate the drift toward State medicine. It is therefore necessary that the far-seeing members of the medical profession urge their more quiescent colleagues to join in sponsoring a more intelligent form of socialized medicine, before the apparently fast-approaching State intervention makes its appearance. We should not accept too hastily what foreign political needs found it expedient to recognize. Each factor as it arises should be carefully weighed, so that any alterations in the present system of medicine, whether toward a more rigid form of socialization or in the direction of some more workable form of State medicine than has yet been advanced, will, when evolved, stand the test of time. In this way there is more certainty of a better form of medical service than by any scheme that is conceived in haste.

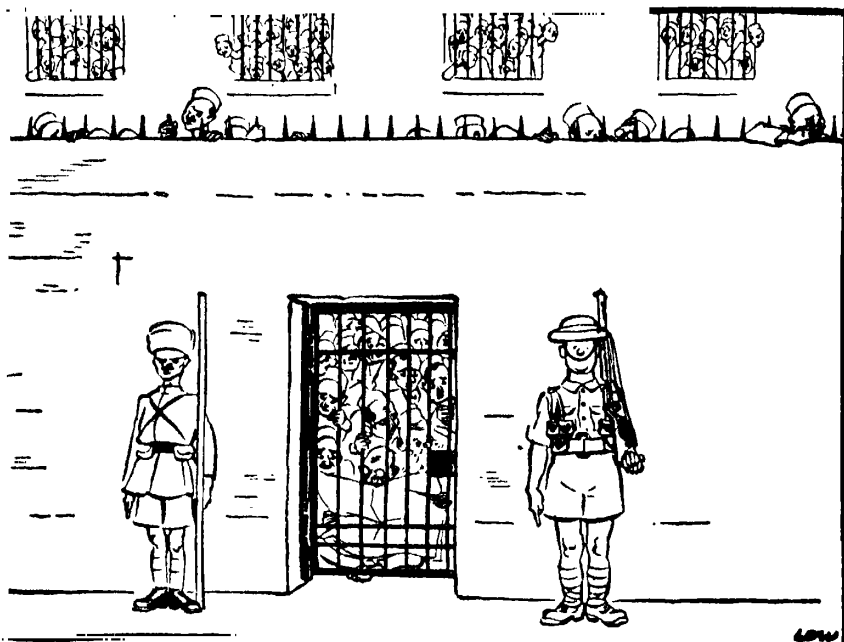
Current History in Cartoons

"MEN MAY COME AND MEN MAY GO"—

—*Glasgow Evening Times*

RUSSIA—"At the command, you shout: 'Down with the army!' "

—*Le Rire, Paris*

IN THE BALANCE!
—Cleveland Plain Dealer

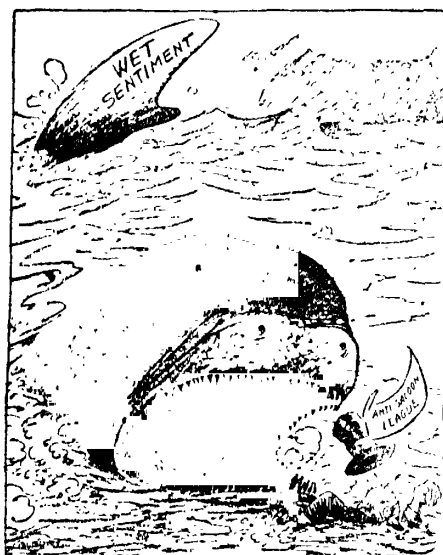
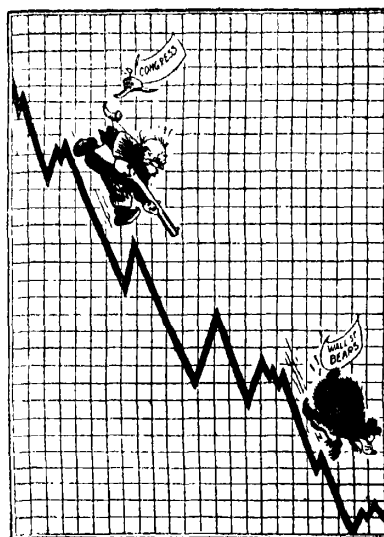
WHICH WAY?
—Boston Transcript

LOCATION
"What people in India want is to know where they are" (Lord Lothian)
—Glasgow Evening Times

THE SOWER OF DISCONTENT
—Irish Weekly Independent, Dublin

THE OLD FORT IS STILL HOLDING
—Baltimore Sun

THE FOUR HORSEMEN OF THE WORLD TRADE SLUMP
—St. Louis Post-Dispatch

THE MAN WITHOUT A LOBBY
—St. Louis Post-Dispatch

WELL, PORK HAS FOOD VALUE
—Dallas News

JONAH AND THE WHALE
—Cleveland Press

THE LONG, LONG TRAIL
—Cleveland Press

A Month's World History

Wars and Rumors of Wars

By James Thayer Gerould
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IS another great war just over the horizon? The question is not fantastic, nor can the problem it propounds be dismissed by a negative answer engendered by faith in paper guarantees or our heavy armament. Probably no nation wants war; memories of 1914-18 are far too vivid. But apparently none of them is intelligent enough—or willing—to shape its policies so that the causes of war may be removed. That is the situation, and it may as well be faced. National poverty may make for international amity, but it may, on the other hand, be an incitement to conflict, as in modern Japan. Every country, moreover, has its munitions lobbyists and those who, still finding glory in war, belittle its horror and its tragic waste.

For a good many years, in military and naval circles at home and abroad, there has been talk of the inevitable conflict between the United States and Japan. Henry F. Pringle, in his recent life of Roosevelt, gives some idea of the idle gossip that produced the war scare of 1907, and probably that of 1920 had little better foundation. But during the past month or two rumors have again been flying about Washington. That the policies of the two nations with respect to China are squarely opposed is evident. Despite the acquiescence of Japan in John Hay's doctrine of the Open Door in 1897, and her reaffirmation of the principle in the Nine-Power Treaty, she has again and again insisted on the validity of her special interests in China, and particularly in Manchuria. They were, in fact, recognized in the Root-Takahira notes in 1908, and again by Bryan in his note of March 13, 1915, but this understanding was abrogated by the treaties of 1922. Japan was bitterly humiliated when she was compelled by Russia, France and Germany to release her hold on the Liaotung peninsula, which she had acquired in the Sino-Japanese War of 1895, and the feeling was intensified when, in 1922, she was required to give up Shantung.

There is little doubt that, in substance, the twenty-one demands of 1915 are fairly representative of Japan's present desires. It is natural that she should want to expand, and her imperialistic methods have plenty of precedent. Her system of exploitation is no worse than that of most other countries, and is better than some. She was, in fact, doing very well in Manchuria under the administration of Chang Tso-lin. After his death the increasing disorder became a source of great annoyance to her.

During the last ten years the economic and financial situation in Japan has gone from bad to worse, and there has been increasing irritation by the politicians and grasping financial interests. The army, which has no responsibility to the civil government,

evidently determined on the Manchurian adventure, and, later, on the Shanghai invasion, in the hope that it would improve conditions at home. The Japanese military men have become deeply incensed over the "loss of face" incident to the withdrawal from Shanghai. The new National Government, in which they have a controlling voice, seems likely, so far as its international policies are concerned, to be more intransigent than the last, and it will be very difficult for it to recede in Manchuria. Its claim that Manchukuo is independent is transparently a fiction. Behind every Manchurian official is a Japanese who pulls the strings. Even if it is admitted, for diplomatic reasons, that Manchukuo has bona fide government, the manner of its establishment can hardly be reconciled with the note of Secretary Stimson of Feb. 7, 1932, and the subsequent action of the League.

Both the United States and the League have stated, in language that cannot be misunderstood, that they do not intend to recognize the Manchukuo Government. If we intend to maintain the Open Door policy and the doctrine laid down by Mr. Stimson, coercion might be necessary. It is exceedingly unlikely that we would be so foolish as to act alone. Such action would be both unsafe and in flat violation of the Pact of Paris, for we could hardly claim that "self-defense" was involved. If we were a member of the League, the situation would be relatively simple, for it is distinctly probable that a threat of coercion would be enough. Joint action with the League is possible, but, as has been shown during the past months, it is difficult and beset by many hazards.

A *casus belli* exists also between Japan and Soviet Russia because of the conflict of interests in Manchuria. Obviously, neither is looking for trouble, but, with Japanese armies operating all along the lines of the Chinese Eastern Railway, "incidents" are difficult to prevent. If the fires are once lighted, it may become extremely difficult to put them out.

It is in Europe even more that danger of war lies in almost every direction. When the peace conference assembled, the forces of reaction were in complete control, and negotiations took place in an atmosphere of passion and hatred that was as unintelligent as it was violent. The leaders are not altogether to be blamed. They but expressed and enacted the opinions of the majorities behind them. The treaties that they drew up not only violated the terms under which Germany agreed to accept the armistice but, as we now know, sought to ignore the facts of history. The representatives of Germany were under the bitter necessity of accepting a settlement having as its major premise a declaration of undivided responsibility which they believed to be false. By the provisions of the treaties, national boundaries were torn down and others set up without regard for the fabric of economic life and industry that had been a century in the weaving.

Seven entirely new nations came into existence, and the European customs boundaries were lengthened by many hundreds of miles. Avenues of trade, open for the transit of goods for centuries, were blocked or obstructed. In each of the new States there had to be a completely developed bureaucracy, with hosts of officials greater or less, all of whom had to be supported by taxation. Each needed its army, and military budgets have increased from year to year. Since in some future war supplies from outside might be cut off, an effort was made to stimulate agriculture and industry artificially, so that the nation might be self-contained. To accomplish this, tariffs were raised, subsidies paid, trade restrictions imposed. The increased cost of the goods produced under these conditions was either paid out of the pockets of the people or met by an addition to the rapidly increasing public

debt. The policy of inflation, to which the nations resorted in a frantic effort to pay their bills, resulted inevitably in the destruction of a large part of their inadequate fund of capital.

Poisoned by the virus of economic nationalism, the governments, and the people back of them, plunged madly into new excesses. Tariff walls rose yearly to greater heights, preventing as effectively the export of their own goods as they did the entry of those from neighboring States. Trade languished. The promised prosperity never came, but the will-o'-the-wisp was still pursued. It was always just around the corner, and there were always plenty of resounding slogans to cheer people on.

Here and there voices of protest were heard. Far-sighted men in every country in vain warned their compatriots of the dangerous abyss just ahead. Economic conferences, summoned by the League, recognized the peril, but they were not able to avert it. Their resolutions were quietly dropped into the official scrap-basket. The manifesto of the bankers and industrialists, signed by representatives of sixteen of the leading countries and issued in October, 1926, has gained additional force from the events that have succeeded it. "There can be no recovery in Europe," it read in part, "until politicians in all territories, old and new, realize that trade is not war, but the process of exchange; that in time of peace our neighbors are our customers, and that their prosperity is a condition of our well-being. If we check their dealings, their power to pay their debts diminishes and their power to purchase our goods is reduced. Restricted imports involve restricted exports, and no nation can afford to lose its export trade. Dependent as we are on imports and exports and upon the processes of international exchange, we cannot view without grave concern a policy which means the impoverishment of Europe."

Superimposed upon the burden that Europe was compelled to carry in consequence of its folly was the tremendous load of war debts and reparations. The Treaty of Versailles was, in effect, a blank check signed by Germany. The figure of 132,000,000,000 gold marks, assessed in 1921, was a large reduction from earlier estimates; but, even at the time, competent financial authorities warned the politicians that the amount was fantastic and could never be paid. The Dawes Plan of 1924 was discreetly silent about the total, and the Young Plan reduced it to 37,000,000,000. All the world knows that the payment of the annuities from year to year was possible only because of heavy borrowing abroad, and that the net obligation of Germany was not reduced. So long as the loans flowed in there was fictitious prosperity.

When the crash came and the bankers called their loans, the bubble burst, and had it not been for the Hoover moratorium Germany would have been forced into complete bankruptcy. As it was, the conditions imposed by France were, and are, so severe that, until they are modified, recovery is impossible. Millions of German families are today living on a dole of less than $13 a month. In such a situation, demagogues flourish, and the limitless promises of Hitler are accepted at face value. No more reparations, a complete revision of the Versailles treaty, the suppression of the Polish Corridor, even the return of the colonies, seem quite possible if the Nazis can obtain control of the government.

But they reckon without France. The Versailles treaty restored to her that dominance of Europe that she enjoyed under Louis XIV and again under Napoleon I, a dominance which she fully believes is hers by right. When the United States, and consequently Great Britain, refused to ratify the guaranty promised by President Wilson as the price of the agreement not to extend the borders

of France to the Rhine, she sought, and succeeded in the attempt, to encircle Germany by a series of alliances with Belgium, the countries of the Little Entente and with Poland. The Geneva protocol and the treaty of mutual assistance were efforts to consolidate her position through the League. These failed, but she secured half a loaf at Locarno. Not content with these paper guaranties, she has systematically developed her army and her air force until they are the strongest in Europe. Vast sums have been expended in constructing a line of fortresses along the border. By skillful diplomacy, she is able very largely to determine the action of the League, or at least to block everything which would lessen her prestige.

France is sincerely convinced that a peaceful Europe is conditioned on the maintenance of the Versailles treaty. If any sort of revision is permitted, all its provisions may be questioned. Every uneasy and exasperated minority (and it is conservatively estimated that in Europe they total 35,000,000 people) will demand relief. She is confident that any readjustment of boundaries will mean war. Any abrogation of reparation payments would be the signal for other demands. Unless she can secure a corresponding reduction of her American debt, her taxpayers must foot the bill, as well as that incurred in reconstruction. She denies, with imposing statistical tables, the German claim that the cost of rebuilding the devastated areas has already been paid.

The issue between France and Germany is clearly defined, and its settlement cannot much longer be postponed. Before this article is published the world will know what has happened at Lausanne. If a settlement has been made, the road will be open toward normal economic and financial conditions. If, instead, there is another postponement, Europe is in grave danger not only of national bankruptcy but of Fascist or Communist uprisings that may have far-reaching consequences. Germany may, as she did at Genoa in 1922, confront Europe with another treaty of Rapallo—an alliance with Russia. In such a situation the position of Poland, to say nothing of the Baltic States, will be precarious.

In the Polish Corridor, and particularly in Danzig, there is constant danger of some overt act for which neither of the governments concerned may be directly responsible, but which may serve as a spark that will cause an explosion. Quite recently, so the Poles claim, the thrifty Danzigers have been shipping into Poland, duty free, goods of German rather than of Danzig manufacture. Poland has demanded of the High Commissioner, consequently, that the administration of the customs service be turned over to her. The Polish Navy is insisting on certain rights of anchorage at the port, which Danzig regards as illegal. Incidents like these are very irritating, and any day something may occur that will give Poland an excuse for action. In such a case it is highly probable that France has enough influence with the League to see that its discipline of her ally will not be excessively severe. Acquiescence in the seizure of Danzig might result in the withdrawal of Germany from the League.

In the disarmament conference, in the discussions regarding financial rehabilitation and in advocating treaty revision, Italy is supporting Germany rather than France. Without impugning her sincerity, we may recognize that this policy is related to the perennial problem of Franco-Italian naval relations, unsettled since the London naval conference. Italy demands parity, as we did with Great Britain in 1921, and for the same reason—national prestige. She has no intention, immediately at least, of building up to the French tonnage. If for no other reason, it is financially impossible. Her national pride will not permit her to acknowledge that she

ranks below France in the scale of European power. France is willing to grant parity on the Mediterranean, but she insists that her colonial commitments require, in addition, an Atlantic fleet. The argument is plausible enough, if one accepts the conventional naval premises, but the Italians are quite well aware that in the event of war the distinction between the two fleets would vanish immediately and, along with it, all possibility of naval success. Another reason for Italian recalcitrance lies in the fact that she does not believe that she had a square deal in the distribution of the colonial loot at the end of the war. Tunisia, where a large majority of the population is Italian, should, she believes, be hers. She casts envious eyes on Syria, and would like a slice of the Sudan. She has never forgiven France for blocking, in 1926, her quiet little deal with Great Britain for the partition of Abyssinia. At present she does not dare to move against Yugoslavia, but she makes no secret of her belief that the Adriatic should be an Italian lake.

Should the present economic stress be prolonged, a state of mind may evolve which regards war as a welcome relief. It is a natural human impulse in troublous times to shift the blame to some one else rather than to assess it against our own ineptitude or stupidity—to strike out blindly, regardless of the consequences of the blow. In our present abnormal mental state, international controversies which could in better times be adjusted without great difficulty are magnified and become dangerous. How great that danger is is recognized by many political leaders—and by Marxists, who see in another world conflict the destruction of capitalist society.

THE ARMS CONFERENCE

The various commissions appointed by the world disarmament conference to answer the question of what weapons are specifically most offensive or most dangerous to national defense or most threatening to civilians have made their reports. That they are disappointing to those who have hoped for tangible results as a consequence of the conference is putting it mildly. The naval commission's report was adopted on May 27, that of the land commission on June 6 and that of the air commission on June 8. Each showed that there was a wide variety of opinion on all matters; one nation would do away with submarines, another held them essential to its well-being; certain countries stated that land tanks of over twenty-five tons were "markedly offensive," others that they were not so; the term "bombing plane" could not be satisfactorily defined—and so on, throughout the entire list. It is obvious that the delegates to the conference had been instructed to protect the interests of their respective countries first of all and to agree on disarmament after that protection had been assured.

LEAGUE OF NATIONS GOLD REPORT

The League of Nations gold delegation, which was appointed in the Summer of 1929 to "examine into and report upon the causes of fluctuation in the purchasing power of gold and their effect upon the economic life of the nations," presented its final conclusions at Geneva on June 9. A return to the gold standard was advocated as the world's "best available monetary mechanism" (only six countries are at present maintaining the gold standard without special restrictions), and the three conditions essential to its general restoration were laid down: (1) "The restoration of a reasonable degree of freedom in the movement of gold services" on debts; (2) "a satisfactory solution of the problem of reparations payments and war debts"; (3) an agreement concerning "certain guiding principles in respect to the working of the gold standard." The report further stated

the need of balanced public budgets, declared that the present world gold supply was "adequate to support the credit structure legitimately required by world trade" and refused to recognize that the fall of prices since 1929 had been due to a shortage of gold. Prices should be raised, it was pointed out, but this cannot be accomplished by monetary policy alone. Central banks should expand credit, and the present reserve ratio of these central banks should be reduced.

THE WORLD OIL PARLEY

Certain qualified observers had attached great importance to the international oil conference which was held in New York City during May, for they saw in it a genuine attempt to stabilize the production of a vital commodity on a world-wide basis, and when the conference broke up without agreement on June 2, there was the feeling that a great opportunity had been lost. The parley had been called by Charles E. Arnott, president of the Socony-Vacuum Corporation, and had been attended by representatives of the oil companies doing virtually all the export oil business of the United States, as well as by those of the Royal Dutch Shell group, the Anglo-Persian Oil Company, the Burmah Oil Company—the principal European producers—and by delegates of the Soviet Oil Trust. Petroleum markets have been more or less demoralized for several years, partially because of the increased exports from Russia, and it was proposed that the world supply be regulated by an agreement on the part of the Soviet Union to sell all its exported oil for ten years to the American and European companies, the annual amount not to exceed the total exported in 1931—37,500,000 barrels. This the Russian representatives would not agree to do—even though they were glad to have an unobstructed market for that quantity and could thus assure their country a definite supply of foreign funds for the purchase of machinery and other supplies—because they expect to increase their output within the next decade and because they wanted a guarantee of a substantial increase in buying and in price each year.

It was reported on June 9, however, that the Russian petroleum syndicate had agreed to resume the negotiations broken off a week earlier and that another international conference would meet in Paris on June 29.

Congress Plays Its Part

By E. FRANCIS BROWN

EARLY in June the end of the first session of the Seventy-second Congress was in sight. Few Congresses in recent years have enacted more important legislation during a period of six or seven months than has the present one; yet upon its head has been visited the opprobrium of the nation. In a time of national and international break-down, when not only the United States but the world has lacked forceful leadership, Congress has been cast for the rôle of scapegoat, a part which any impartial examination shows to be wholly undeserved.

The position of the present Congress from the moment its members were called to order has been difficult. First of all is the problem that arises from the unwieldiness of so large a body—there are 435 Representatives

and 96 Senators—whose members represent the diverse sentiments of a nation that is anything but united on its social and political credo. Moreover, these representatives are no longer firm in their allegiance to the dominant political parties; some Democrats are Republican in all but name; the converse is true of many Republicans, and both parties are divided by loyalties to all degrees of conservatism and liberalism. From such a varied group it would be naïve to expect swift or concerted action.

It cannot be asserted too often that the approaching national election affects the attitude of Representatives and Senators upon questions which may arise to plague them during the months of preparing the voters to go to the polls. Members of Congress to some extent, also, are unable to withstand the pressure of the organized lobbies, and during the present session the Capitol has swarmed with more lobbyists than ever before. Only the strongest of men—and most of the members of Congress are no better than the average of their constituents—can resist the arguments and threats of the professional lobbyist.

The work of any Congress cannot be assessed without considering its relations with the executive branch of the government. At present the Democrats have a numerical, but not a working, majority in the House and the Republicans have somewhat uncertain control of the Senate. The administration itself has time and again failed to assert its powers of leadership. The President has permitted his legislative program to become entangled in the meshes of Congressional politics; he has frequently proposed contradictory measures which tended only to confuse the Congressional mind; and at times he has agreed with delegations from Capitol Hill upon specific proposals, only, soon after, to announce a different program of his own. Such executive leadership, unless aided by unusual Congressional cooperation, does not make for legislative efficiency. Nevertheless, the principal measures proposed by the Republican Administration have been enacted, and few attempts have been made to carry through legislation which was known to be contrary to the wishes of the President and his advisers.

If one believes in democratic government, one must accept the principle of a deliberative body, such as Congress, in which opinions are aired and in which discussion rages. Yet the Seventy-second Congress has avoided an undue amount of oratory and has worked with dispatch; what argument has occurred should have been anticipated. For instance, was it to be expected that Congress would ratify meekly an executive act like the moratorium on international debts? Yet the moratorium, about which there might well be legitimate difference of opinion, was ratified by Congress with comparatively little delay. When the administration insisted on creating the Reconstruction Finance Corporation—a device which may have far-reaching effects on our economic and political structure—Congress passed the necessary legislation quickly and in almost the form recommended by the White House. The Glass-Steagall bill, which radically changed the Federal Reserve System, was passed without delay at the behest of the administration, although ordinarily such a measure would have consumed months of debate. Moreover, in less than a month's time, Congress enacted a bill to increase the capitalization of the Farm Land Banks, another proposal of the administration that met with little opposition.

The present Congress has passed two important measures which have been the subject of agitation for many years. A constitutional amendment abolishing the "lame-duck" session of Congress has been laid before the

States for ratification, while the use of injunctions in labor disputes has been prohibited by the Norris bill which became law at the end of March.

Two other outstanding problems have been before the present Congress—the balancing of the budget and the adoption of some sort of Federal unemployment relief. Balancing the budget became a fetish—in spite of the testimony of leading economists that it was unimportant—to which respect was paid with the final passage of the tax bill on June 6. The question of unemployment relief received consideration later. Congress has wrestled with many other problems during this session; it has enacted minor bills and defeated several important ones which were demanded by the members of Congress, but which the administration opposed; and no obviously harmful legislation has been passed. All has been done with a minimum of disorder and comparatively little delay during a time of national uncertainty and confusion. The members of Congress can, when they adjourn, go before the electorate with assurance and pride in a hard job well done.

Every session of Congress is filled with recrimination, with attacks by members of Congress upon the President which he returns blow for blow. The present session has been no exception; and some might think it has been worse than usual. Since the American people have expected Congress and the Chief Executive to lead them back into the paths of prosperity, the continued failure to find the way has made the public uncharitable toward men in Washington, while the apparent "dog-fight" between the legislature and the President has led to the feeling that our governmental system was hopelessly inefficient in a time of crisis.

Perhaps from these sentiments sprang the rumors which dritted through the country during May that some kind of dictatorial or "fascist" régime would be attempted in Washington. Most of the rumors undoubtedly were unfounded, but Alfred E. Smith's appeal on May 16 for a non-partisan drive to end the depression, and addresses in a similar vein by leading capitalists, seemed to give weight to the stories that, after the adjournment of Congress, a coalition Cabinet might be formed. Furthermore, in a commencement address at Notre Dame University on June 5, Owen D. Young urged the concentration of greater powers in the hands of the President, with partial abandonment of the traditional system of checks and balances. Whether or not the words of these men were straws in the wind, only the future can tell.

BALANCING THE BUDGET

Historically the balancing of the budget in democratic countries has been accompanied by much bitterness and political trial, but in the United States budget-making dates only from 1921 and has usually been an easy task. The public was unprepared for the difficulties which necessarily arose during the process, and for that reason, plus the noisy insistence of the administration and financiers that the budget be balanced as a *sine qua non* of economic recovery, had little patience for three months of Congressional deliberation upon a tax bill.

The bill was introduced in the House on March 9, but was completely rewritten before being adopted and transmitted to the Senate at the beginning of April. (See May CURRENT HISTORY, pages 205-207.) For over a month, until May 9, the bill remained in the hands of the Senate Finance Committee and, when it was reported to the floor, bore little resemblance to the House measure.

Senate debate upon the tax bill was focused on three issues—the presence in the bill of import duties, the proposals to establish a sales tax and

the desire on the part of many members to "soak the rich" by levying heavy income and inheritance taxes. The tariff items, which were particularly embarrassing to the Democrats, aroused most opposition, but, in spite of spirited debate and astute parliamentary manoeuvres, the bill in its final form contained import taxes upon oil, coal, lumber and copper. The question of a sales tax, which was favored by big business but opposed generally by liberal leaders, was not decided until May 31, when, during the final hours of the debate upon the bill, the proposal of Senator Walsh of Massachusetts for a manufacturers' sales levy was rejected. Higher income and inheritance taxes were adopted on the last day of debate.

An element of mystery entered into the final passage of the tax bill. On May 30, at a White House conference between President Hoover and Senate leaders, it seems to have been agreed that the bill would be passed the next day. Yet the following morning Senators were suddenly told that the President would address them upon the subject of the bill. He appeared at noon and "in a low, inaudible voice" read a message in which he declared that an emergency existed which demanded the speedy passage of the tax bill. The President also gave lukewarm support to the adoption of a sales tax. Late that night the bill was passed, as had been agreed upon, but without the sales tax. Why did the President appear on the floor of the Senate? Such action was not necessary to secure the passage of the bill; the President's support of the sales tax was too half-hearted to be effective, and, as far any one knew, no "emergency" existed. The only answer seemed to be that he was seeking political capital, and in that case he was somewhat successful, as the next day the nation's press rang with praises of his "leadership."

The Senate's tax bill was on June 1 sent to a conference of House and Senate members for the settlement of differences which existed between the bills adopted in the two branches of Congress. Agreement was reached, with but few changes, the following day, and on June 4, after a stormy session, the House approved the revised bill. Favorable action was taken by the Senate two days later, and the bill was signed immediately by President Hoover.

The provisions of the tax bill are expected to raise about $1,118,500,000, a sum sufficient to balance, approximately, the Federal budget. In many respects the bill is superior to anything that might have been expected during the many weeks of its course through Congress. Income taxes have been greatly increased; on the first $4,000 of net income a tax of 4 per cent is to be levied, while on any amount above that sum the tax is to be 8 per cent; a surtax of 1 per cent on incomes between $6,000 and $10,000 rises thereafter to a maximum of 55 per cent on incomes above $1,000,000; exemptions of $1,000 are permitted to single and $2,500 to married persons, with an additional $400 for each dependent. Excise taxes have been levied on a variety of objects, mostly in the class of luxuries; stamp taxes fall on many types of documents, telephone and telegraph messages, admissions, bank checks, and so on. An increase in postal rates is expected to bring in added revenue amounting to $160,000,000. The tariff items also will produce a small amount of revenue.

In spite of the vast sum which it is estimated the revenue bill will bring to the treasury, balancing of the budget rests upon enactment of appropriation bills which will reduce Federal expenditures by approximately $238,000,000. Attempts in the House to enact an omnibus economy bill were not very successful (see June CURRENT HISTORY, pages 328-329), and the bill which was sent to the

Senate on May 4 provided for estimated savings of only $30,000,000.

During succeeding weeks a Senate bi-partisan committee considered various devices to reduce government expenses, and on June 1 the Appropriations Committee made its report. The most important recommendation was for a general salary reduction of 10 per cent for all Federal employes, an obvious, but uneconomic, method of lowering expenditures. The bill also provided for economies totaling about $48,000,000 in outlays for war veterans. On June 4 the Senate accepted the principle of the 10 per cent pay cut, but with an exemption for all salaries of $1,000 a year or less. Senator Moses, however, forced a vote upon the President's proposal of a thirty-day furlough without pay instead of the 10 per cent cut—a move which was successful although it further decreased the amount of the hoped-for economies. The attempt to reduce veterans' expenditures was defeated on May 27 by a vote of 63 to 14. The bill as passed by the Senate on June 8 carried total savings estimated at between $134,000,000 and $156,000,000.

While the economy bill was before the Senate consideration of individual department appropriation bills was halted. But the House has passed all important appropriations, the last measure to run the gauntlet being that of the War Department, which emerged shorn of $4,400,000 from the department's own estimates. The chief economy achieved by the House was the dropping of 2,000 officers from the rolls, although this was later rejected by the Senate. If the economy bill, when finally passed by Congress, does not provide for sufficient savings to complete the work of balancing the budget, the amounts needed to meet the discrepancy will probably have to be found by chipping the individual appropriation bills.

In reality the budget cannot be balanced, because the return from the new taxes is predicated on an economic stability that is non-existent. Senator Glass of Virginia, who is no blind partisan, said on June 9 that Federal Treasury estimates were "so inconceivably awry as to make intelligent revenue legislation impossible * * * Because of the vacillation and lack of foresight and courage of the Republican Executive, I predict that when Congress adjourns we will not have come within $1,000,000,000 of balancing the budget."

The final task of importance before the present session of Congress is to enact some sort of unemployment relief. During the past months the unemployment situation has grown steadily worse, both in the number of persons out of work and in the adequacy of the relief extended. (See article "The Unemployment Crisis" on pages 411-416 of this magazine.) Although the question of relief is threatening to become a political issue, the administration at last has come to admit the need for Federal aid.

It is a poor Representative or Senator who has no plan for unemployment relief, but three principal proposals emerged from the welter of recommendations and controversy.

On May 12 President Hoover asked the Democratic and Republican leaders of the Senate to propose a three-point relief program: (1) The Reconstruction Finance Corporation to be authorized to issue an additional $1,500,000,000 in debentures to be advanced to States for general relief measures, to aid agricultural exports, and to provide loans for assured and reproductive enterprises of private business; (2) State bonds and securities which cannot otherwise be floated to be purchased by the R. F. C., so that the proceeds of the sale of these securities can be used for unemployment relief; (3) the R. F. C. to lend funds for self-liquidating enterprises such as toll bridges and so forth. The

President's plan aroused little enthusiasm in Congress and was characterized by some financiers as a "colossal blunder."

The day before the President's plan was made public, Senator Robinson, Democratic floor leader, spoke in the Senate in favor of the issue of government bonds to the amount of $2,300,000,000 which would aid States and municipalities in extending relief and which would provide funds to be spent on self-liquidating and profit-making enterprises. Senator Robinson's proposal received the approval of Owen D. Young and former Governor Alfred E. Smith.

On May 25, Senator Wagner introduced in the Senate a Democratic relief bill providing $2,300,000,000 for immediate State loans for unemployment relief, Federal works and for self-liquidating enterprises. As some of the funds are to be administered and raised by the R. F. C., the plan embodies some of the proposals made earlier by President Hoover; Senator Robinson's ideas also played a part in shaping the bill. Meanwhile, Speaker Garner in the House had sponsored a relief measure based largely on the sale of bonds. His bill proposed that $100,000,000 be given the President for use as an emergency fund; that $1,000,000,000 be advanced for relief projects by States and private corporations; that $1,000,000,000 be expended upon public works.

About all these proposals fierce controversy raged. President Hoover assailed the Garner plan as "the most gigantic pork barrel ever proposed to the American Congress" and as "an unexampled raid on the public treasury." Speaker Garner in retort accused the President of inconsistency and said: "The Democrats did not expect to receive any real cooperation from the President in any matter benefiting the masses and those who might be termed the middle class of the American people." President Hoover a few days before, in a letter to the president of the American Society of Civil Engineers, had stated his vigorous opposition to any unemployment relief measure based upon a Federal bond issue for public works. His statements about the means of raising funds for relief brought into the fray ex-Governor Alfred E. Smith, who accused the President of theorizing and evading the real issue. Mr. Smith declared: "What is more important is the main thing overlooked by the President, and that is the need of finding immediate productive employment for millions of people. This problem transcends all technicalities, all hair-splitting and all fine-spun theories of financing." In hearings on the Garner and Wagner bills, Secretary Mills and Secretary Hurley denounced the former and disagreed with portions of the latter.

The President's relief plan which had been made public early in May was introduced in the House and Senate in separate bills at the beginning of June. On June 5, after a conference between the President and the members of the R. F. C., at the Rapidan camp, an offical statement was issued from the White House in support of the plan as a way toward "speedy economic recovery."

Under special rules limiting debate, the Garner relief bill was rushed through the House and passed on June 7, by a vote of 216 to 182. Meanwhile, the bills embodying the President's plan which had been introduced in both the House and the Senate received unfavorable committee reports. On June 10, a bill providing for loans to the States by the R. F. C. amounting to $300,000,000—which had been lifted from the original Wagner proposal—was passed by the Senate.

One of the most irritating and embarrassing problems of the present Congressional session is the struggle to obtain immediate payment of the war veterans' adjusted compensation

certificates. Although the Patman bill providing for payment was reported unfavorably by the House Ways and Means Committee on May 6 (see June CURRENT HISTORY, pages 229-230), and seemed to be strangled by the red tape of House procedure, supporters of the measure continued to fight for a definite vote. After other tactics failed, sponsors for the bill industriously set about securing signatures to a petition which would discharge the Rules Committee from a request to report the bill, in spite of the adverse committee report upon it, and thus automatically bring the bill to the floor of the House. On June 4 the 145 signatures necessary to discharge the committee were obtained and a vote on the proposed bonus legislation seemed assured.

But in the meantime a new situation had arisen. As the result of continued protests throughout the nation against the mounting cost of payments of one sort and another to the veterans and the realization that a small section of the people was raiding the national treasury successfully, public opinion was turning against further gifts to the veterans. Among the ex-servicemen themselves there was a revulsion of feeling on the question of government payments to former soldiers. The National Economy Committee, an organization consisting for the most part of war veterans and of which Archibald B. Roosevelt is secretary, petitioned President Hoover on May 5 for the elimination from the national budget of more than $450,000,000 now being spent for veterans' relief. The petition set forth that veterans' relief had become "a vast legalized racket" and a "subsidy for a favored class."

A most serious aspect of the agitation for bonus payment has been the march of war veterans on Washington to force action by Congress. From all sections of the country small groups have been moving toward the capital, marching, traveling by trucks, riding in freight cars and at times even attempting to seize trains when railroad officials refused to provide free transportation. Apparently Communist elements have been among the "bonus marchers," but the leaders of the demonstration have endeavored to purge the ranks of any Red elements that might be present. By June 10 over 9,000 men were in Washington, encamped on the edge of the Potomac, living on reduced rations and presenting a grave sanitary problem to the city. At that time the movement had been notably free from disorder and the only purpose of the men seemed to be "to get the bonus and to stay here [Washington] until we get it." Nevertheless, the situation is not without its perils to orderly government and to social stability.

BILLS PENDING

Besides a host of minor bills, many of which will never reach the floor of Congress, several important measures are still pending in the House or Senate. Foremost is the Glass banking bill, which was pushed aside in favor of the tax bill. Whether or not the Glass bill, which has aroused much hostility among bankers but which is favored by many of the best economists of the nation, will receive consideration in this session of Congress is not clear, but the chances are not bright. Another measure relates to the question of inflation. The Goldsborough bill, which seeks to stabilize the dollar at the average purchasing level of 1921-1929, has passed the House, but has been displaced in the Senate by a bill introduced by Senator Glass which proposes to make all government bonds available for temporary currency inflation. The Glass bill is frankly a device to prevent the passage of the Goldsborough measure. Other bills which are pending are the Steagall bill, creating a guarantee fund of $400,000,000 to protect depositors of distressed financial institutions; a home-loan bank bill, a bill providing for the leasing of the Muscle Shoals property to any organization other

than a power or distributing company, and the Hale naval bill, providing for the building of the navy up to the strength prescribed by the Washington and London treaties. Some sort of agricultural relief bill is certain to receive attention before the adjournment of Congress, but whether it, or any of these other bills, will be given favorable consideration is questionable.

Presidential vetoes have not been frequent this session nor of particular importance, except in the instance of Mr. Hoover's veto of the Democratic tariff bill (see May CURRENT HISTORY, page 209), which was sustained in the House by a vote of 178 to 166. President Hoover has also vetoed a bill which proposed giving certain classes of civilians the same privileges of hospitalization and of soldiers' homes as are enjoyed by soldiers and sailors.

THE PARTY CONVENTIONS

The Republican convention, which was scheduled to convene on June 14, was certain to be a dull affair. The party's candidate and most of its platform could be foreseen in advance. President Hoover's name was to be placed in nomination by Joseph L. Scott of California, but whether Vice President Curtis would be renominated was still in doubt. About the only excitement in the Republican camp in the weeks before the election was the announcement that Senator Borah would avoid the convention—a fact that might indicate half-hearted support of the President by the Idaho Senator—and a speech by W. Irving Glover, Assistant Postmaster General, in which he told Missouri postmasters to "get out on the firing line" for the President or to resign. His speech caused a flurry among liberals and civil service reformers and brought forth attacks upon him in Congress. If the Administration rebuked this ardent supporter, the public was not told.

The Democratic convention, which was to assemble in the Chicago Coliseum on June 27, after it had been vacated by the Republicans, promises more excitement. The party's candidate is still in doubt, although the managers for Governor Roosevelt claim 691 votes for their candidate, which is within seventy-nine of the two-thirds majority needed to nominate. That figure, however, may be too optimistic. With the definite avowal by Owen D. Young on May 16 that he could not accept the Democratic nomination if it were extended to him, the principal dark-horse candidate seems to be Newton D. Baker of Ohio. The strength of ex-Governor Smith, Speaker Garner, Governor Ritchie and others is probably too slight to amount to much in the final balloting.

Factional strife becomes more intense within the Democratic party. The keynote speaker chosen by the Roosevelt forces is Senator Barkley of Kentucky, who supported the move to place tariff items in the recently passed tax bill—a fact which embarrasses his party considerably. The Roosevelt group has favored Senator Walsh of Montana for permanent chairman of the convention in spite of a "promise" to Jouett Shouse, executive chairman of the party, that the post was his. Mr. Shouse has accused Governor Roosevelt of breaking faith in this matter, and this accusation foreshadows a bitter struggle between the Roosevelt and anti-Roosevelt forces in the convention.

The position of Franklin D. Roosevelt when the convention meets may be affected by developments in the Walker investigation in New York City; removal of the Mayor would injure the support of the Governor by Tammany, while a refusal to act would hurt the Governor among delegations from outside New York State. The Governor in his speeches has shown a liberal or demagogic attitude —depending on one's point of view— but has yet to take a strong enough position to gain the support of liberal

elements throughout the country or to alienate any but the most rock-ribbed conservatives.

Two of the minor political parties—the Socialist and the Communist—have already held their conventions. The Socialists in their convention at Milwaukee in the latter part of May nominated Norman Thomas of New York as their candidate for President and James H. Maurer of Pennsylvania for Vice President. The party's platform advocates Federal unemployment relief, State labor legislation of various sorts, abolition of child labor, increased income and inheritance taxes, socialization of power, banking and other industries. The party also demands recognition of Soviet Russia, American entrance into the League of Nations, disarmament and cancellation of war debts. The convention was enlivened by heated denunciation of the major American political parties, by debate over the insertion of a plank in the platform advocating repeal of the Eighteenth Amendment and by an apparent attempt to "Americanize" the leadership of the party. At Chicago, on May 28, the Communist party of America nominated William Z. Foster for President and James W. Ford, a Negro, for Vice President.

THE PROHIBITION ISSUE

Both major political parties have been harassed by the question of the prohibition plank they should insert in their platforms. May saw heightened agitation throughout the country for repeal or modification of the Eighteenth Amendment. Probably the most colorful episode was the great beer parade in New York City on May 15, when between 60,000 and 80,000 marched all day and into the night as a plea for the return of beer. One by one ardent drys have advocated some kind of national expression upon the question of prohibition, and on June 6 John D. Rockefeller Jr., an outstanding supporter of prohibition and one of the largest contributors to the Anti-Saloon League, declared that the evils of prohibition had far outweighed the benefits and that he favored the repeal of the Eighteenth Amendment. As a result of the stand taken by leading men like Mr. Rockefeller and the unmistakable shift in public opinion throughout the country upon the subject of prohibition, both parties are faced with the necessity of declaring their position.

For the Democrats the problem is not embarrassing since the party has come to be associated with the wet cause and inserted a wet plank in its 1928 platform. Moreover, the leading candidates for the Democratic nomination are known to favor repeal or drastic modification.

To the Republicans the dilemma is more real. Although President Hoover has avoided any clear-cut expression of his own views on prohibition, he has seemed to favor it and, in any case, has had the steady support of the nation's drys. In the party are several supporters of prohibition, notably Senator Borah, whom it would be dangerous to alienate. For several weeks before the assembling of the Republican convention the leaders of the party and President Hoover held many conferences on the character of the prohibition plank to be adopted. Apparently, if reports issued before the plank was made public were accurate, the party would advocate "tepid resubmission" of the Eighteenth Amendment to the nation.

THE PLIGHT OF BUSINESS

The economic condition of the nation continues to be dismal. Foreign trade for the first quarter of 1932, according to a report issued by the Department of Commerce in May, was the lowest in twenty years. Exports were valued at $460,000,000—35 per cent below the total for the same period in 1931—while imports were $398,000,000—a 30 per cent decline from the first quarter of last year. Figures for April showed a still further drop. Meanwhile the growing

Treasury deficit—on June 3 it had passed $2,700,000,000—and the Congressional delay in passing the tax bill caused a large withdrawal by Europeans of capital invested in the United States. As a result of the Federal Reserve policy of purchasing government securities (see June CURRENT HISTORY, page 333) gold exports rose steadily until by June 8 approximately $400,000,000 in gold had left the country since April 6. Much of the loss could be attributed to the policy of the Federal Reserve and fear both of foreigners and Americans for the safety of the gold standard in America.

The several attempts to pump credit into American business, of which the Federal Reserve purchase of government securities is one, have proved disappointing. Credit is available, but apparently no one wants it, and banks, moreover, are chary of lending. Another attempt is being made by a group of twelve industrialists and bankers led by Owen D. Young, but exactly what they are to do has not been made clear. A leading financial paper referred to the group as the "Twelve Apostles," whose task is to "do something." Early in June it was announced that a pool of $100,000,000 had been subscribed by twenty leading New York bankers for the purchase of bonds and other securities in an effort to prevent further liquidation of investments and to provide backbone for the bond market.

Possibly in the long run all these efforts of business men to stabilize economic life will have weight, but at present there is little indication of the fact. Stock prices have fallen steadily during the past month, commodity price indices fell week by week during May, and food prices have reached nearly the level for 1913. In May the United States Steel Corporation reduced wages and salaries by approximately 15 per cent—giving a temporary fillip to the stock market—and many other industries have made drastic wage cuts. Employment has fallen off steadily and in April showed a drop in industries of 2.7 per cent from the preceding month. Possibly unemployment would be less if the more than 2,000,000 children whom the census of 1930 showed to be gainfully employed were in school or at home.

Probably without the aid extended by the Reconstruction Finance Corporation our present economic plight would be worse than it is. Between Feb. 2, when the R. F. C. began its work, and April 19, the corporation authorized loans to railroads, banks, etc., which totaled $370,437,000; by June 6 the figure had reached $700,000,000. During the first four months of its existence the R. F. C. advanced $176,587,265 to railroads—the largest single amount being $32,500,000 to the Baltimore & Ohio. Banks received even greater sums, and substantial loans were made to the farmers through the Department of Agriculture. On June 6 Charles G. Dawes resigned as president of the Reconstruction Finance Corporation in order to re-enter the banking business in Chicago. In his letter of resignation he said: "The work of the Reconstruction Finance Corporation is now well on its way with loans already authorized for about $700,000,000, and its operations are now properly systematized and effective."

Loans made by the R. F. C. to farmers serve further to reveal the sorry plight of agriculture. On May 8 the loans for the entire country averaged 1 for every 15 farmers, but in North Dakota the proportion is 1 to every 2.3 farmers and in South Carolina 1 to every 3. During the past five years farm mortgage foreclosures for the Central States ranged from 100 to 125 for each 1,000 farms; South Dakota had 237.9 foreclosures for every 1,000 farms, Minnesota 163.4, Georgia 129 and South Carolina 150.9. A similar story is told by the figures of farms lost for tax delinquency.

Mexican Blow at Property Rights

By CHARLES W. HACKETT
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MEXICO has been considerably perturbed by the passage and operation of a recently enacted law in the State of Hidalgo which makes private property liable to purchase "for public utility" upon payment of 3 per cent of its value—twenty years being allowed for the payment of the other 97 per cent. In addition, the measure provides that if the State government decides after several years of control that a property is not suitable as a "public utility," it may be returned to the private owners, who must reimburse the State for all payments made in connection with the expropriation. Under the law, the term "public utility" would apply not only to public services but to natural resources, industrial and commercial establishments or any other property "tending to benefit the State or its residents," in the opinion of the Governor of the State.

The first application of the law was made on May 25 when Governor Lugo of Hidalgo ordered the seizure of the French-owned Cruz Azul Portland Cement factory in Tula and turned it over to the workers. This factory, the largest cement works in Mexico, had an assessed value of 1,103,232 pesos (more than $300,000 at current exchange rates). Following the opening of other plants outside the State of Hidalgo by the same owners, the Tula factory had been closed for some time before its seizure, apparently because of the high cost of materials. Recently a group of workers had offered to take over the plant, agreeing to pay 3 per cent of the purchase price down and the balance in instalments. The offer was rejected by the owners, who would sell only on full payment. In his decree ordering the seizure, Governor Lugo declared that "by public utility should be understood the welfare not only of the State but of its subdivisions. Public utility exists only when it is for the collective benefit of the municipality, State or nation. Public interest is absolutely pre-eminent."

A vigorous attack had been made upon the law in a statement issued by José Cruz y Celiz, president of the National Mexican Chamber of Commerce, on May 15; he declared that "this is an assault against private ownership and a serious menace to commerce and industry." From Washington it was reported on May 25 that while the law was regarded as radical, the United States Government did not plan any action because of it, inasmuch as there had been no overt act against American property. On June 2 a similar law was enacted in the State of Vera Cruz.

MEXICO BREAKS WITH PERU

The severance of diplomatic relations with Peru by the Mexican Government was announced by Mexican Foreign Minister Téllez on May 14. This action followed a request by the Peruvian Government for the withdrawal of the Mexican Minister, Juan B. Cabral, and his staff from Lima because they had "intervened in the internal politics [of Peru] and served plans of communistic elements to disturb the public order." Minister Cabral and his staff left Lima on May 14 and Oscar Barrenechea y Raygadas, Peruvian Minister to Mexico, left Mexico City with his staff the follow-

ing day. Through the intervention of Spain, however, the trouble was settled, and on June 9 the two countries agreed to send new representatives to each other's capital.

MEXICAN FISCAL LAWS CHANGED

Drastic changes in Mexico's monetary legislation were provided in a Presidential decree issued on May 19. All branches of foreign banks must henceforth work in association with the Bank of Mexico—the nation's sole bank of issue—in strict accordance with a decree of April 12 which converted the Bank of Mexico into an institution similar to the United States Federal Reserve Bank. Foreign banks are henceforth prohibited from receiving savings deposits, acting as trustees and issuing cash or mortgage bonds. The total of sight and term deposits received by the foreign banks in national currency, unless represented by cash or deposits in the Bank of Mexico, must be invested in operations consistent with their classification according to Mexican law. The capital of foreign banks shall be represented by cash, national currency or credits payable within the country and by the personal effects or real estate pertaining to their establishments. The branches shall always keep at their disposal within Mexico all the securities constituting their capital and reserve fund. Foreign banks coming under the jurisdiction of this decree were given thirty days to buy the necessary shares in the Bank of Mexico.

ANTI-CHURCH CAMPAIGN IN MEXICO

Punitive and repressive measures against the Catholic Church and its priests in various States in Mexico were frequent during May. Charged with unlawful criticism of the Mexican Constitution and laws and with making grave accusations against the Mexican Government in a pastoral letter issued at Laredo, Texas, Mgr. José Manrique y Zárate, Bishop of Hidalgo, was early in May declared under technical arrest, though he was still at Laredo. A bill limiting the number of Catholic priests in the State of Michoacán was passed by the Legislature of that State on May 16. The bill also prohibits any archbishop, bishop or papal delegate from officiating in Catholic ceremonies; this automatically forbids Archbishop Ruiz y Flores of Michoacán, who is also papal delegate to Mexico, from officiating in his own State. A law passed by the State of Mexico on May 25 fixed the number of Catholic priests in that State at thirty-four—two priests being permitted in each district of the State and four in Toluca, the capital. The superseded law had permitted 150 priests. Since the new law was not observed, the churches were closed on June 1. Similar legislation was enacted in the State of Orizaba, and it was reported on May 30 that only a few churches remained open in the city of Orizaba.

REBELS IN NICARAGUA

Following frequent clashes between Nicaraguan rebels and Nicaraguan national guardsmen during the first three weeks of April, martial law was declared on April 27 in the three Atlantic Coast departments of Nicaragua, in the department of Esteli, and in ten districts of the departments of León and Chinandega. On April 25, forty-five guardsmen, commanded by three United States Marine officers, had made a surprise attack upon the main camp of Augustino Sandino, the rebel chieftain, and Florencio Silva, Sandino's chief aide, and nine other rebels were reported to have been killed. Sporadic fighting continued during May.

ELECTION IN PANAMA

Harmodio Arias was elected President of Panama on June 5, securing a substantial majority over his opponent, Francisco Arias Paredes. Dr. Arias has thus gained by regular election the office he held in January, 1931, between the overthrow of the

Arosemena régime and the installation of the present Chief Executive, Ricardo Alfaro.

NEW GOVERNMENT IN COSTA RICA

On May 8, for the third time in his career, Señor Ricardo Jímenez Oreamuno became President of Costa Rica, by virtue of his election by the Costa Rican Congress a week earlier.

UNCONSTITUTIONAL CUBAN LAWS

The Presidential decree of July 1, 1931, which closed the University of Havana and suspended the salaries of faculty members was held unconstitutional by the Cuban Supreme Court on April 26. This decision forced President Machado to prepare a decree for the opening of the university and the restoration of the accumulated salaries of the faculty, which have not been paid since July 1, 1931. A second Supreme Court decision, on May 14, held unconstitutional the law enacted by Congress on Feb. 16 which placed civilians charged with violations of the explosives act in the hands of military tribunals. The decision will rescue all university students awaiting trial from the jurisdiction of the military courts, and will void the eight-year sentences imposed on April 26 on the three university students in whom Senator Borah has been interested. These students will win their appeals before the Supreme Court, and then be turned over to the jurisdiction of civilian courts.

The appointment as Secretary of State of Dr. Orestes Ferrara, Cuban Ambassador at Washington, was announced by President Machado on May 11. Dr. Ferrara's tenure did not begin until June 1, and during the interval Dr. Octavio Averhoff, Secretary of Justice, held both portfolios. The President also announced on May 11 the appointment of Lieut. Col. Miguel de Cespedes as Secretary of Health to succeed Dr. Rodríguez Barahona, who resigned to be a candidate for the Senate from the province of Camaguey.

Official observance of Cuba's thirtieth anniversary of independence on May 20 was limited to a brief ceremony at which the title of adopted son of Havana was conferred upon President Machado by the Central District of Havana. On the same day the President reduced the sentences of about 200 prisoners and granted liberty to others. During the period immediately before the anniversary a number of revolutionary plots were uncovered and some 85 suspects were arrested. On May 23, ex-President Mario G. Menocal, one of the leaders of the abortive revolution of last August, took refuge in the Brazilian Legation, following the arrest of Colonel Carlos Mendieta and Colonel Alberto Médez Penate, two of his associates in the attempted coup. The three men were charged with being involved in a new revolutionary plot, and Médez Penate was imprisoned in the Isle of Pines penitentiary, where he remains at the time of writing, despite a writ of habeas corpus issued by the criminal section of the Audiencia Court of Havana. The warden of the penitentiary refused to deliver his prisoner to the civil authorities under any circumstances. Menocal, it will be recalled, was but recently pardoned for his previous revolutionary activity.

After a Cabinet meeting on June 9 it was stated that the total of the Cuban national budget for 1932-33 would be about $50,000,000, a reduction of $10,000,000 compared with that for 1931-32. It was expected that the deficit for 1931-32 would amount to $9,000,000. The interior floating indebtedness of the republic, which is steadily increasing, is estimated to be more than $50,000,000.

Chile in a New Revolution

By HENRY GRATTAN DOYLE
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THE government of President Juan Esteban Montero of Chile was overthrown on June 4 as the result of a comparatively bloodless revolution which placed a junta headed by Carlos G. Dávila, former Chilean Ambassador to the United States, in control, temporarily at least, of Chilean affairs. Dr. Dávila had returned to Chile upon the downfall of the Ibáñez dictatorship in July, 1931, and resumed his former career of journalist. In March he was arrested on charges of conspiring against the government, but released. His arrest was again ordered in April, but as he was in hiding the warrant was never served. Meanwhile he issued a long manifesto advocating State socialism for Chile. Then suddenly on the signal being given for the uprising, from being a political agitator "wanted by the police" Dr. Dávila became a dominant figure of the new régime. His dominance was brief, however, for on June 12 he was forced out of the government, apparently because his principles were too moderate for his fellow-revolutionaries. His successor, named next day, was Rolando Merino.

The government which the new so-called Socialist republic displaced had lasted exactly six months. During that period President Montero, who had had no desire for the office, wrestled courageously with Chile's economic problems to the accompaniment of a ceaseless agitation which "bad times" so often encourage. A threatened May Day uprising by radical elements did not materialize, but the President was obviously losing some of the general support he at first enjoyed. Cabinet changes had little effect, while the election as Senator of Arturo Alessandri, his unsuccessful opponent for the Presidency, indicated a trend toward the Left. In a last effort to save the government, President Montero is reported to have offered to appoint Alessandri as Premier and Minister of the Interior. Alessandri at any rate acted as Montero's emissary at the outset of the revolt and went to the insurgents with an offer by Montero to resign on condition that César León, the Vice President, should be permitted to succeed him in accordance with the Constitution. The revolutionary junta rejected the offer and President Montero had to capitulate. At this writing he was said to be a refugee in the Argentine Embassy, following an unsuccessful effort on June 9 to escape with his family by airplane to Argentina.

President Montero undoubtedly made mistakes, but primarily he fell before obstacles which only a superman could have overcome. His sincerity and courage—the latter demonstrated by his veto in April of the monetary bill because it contained a provision unfair to public utility companies chiefly owned by foreigners—deserved a better fate.

The revolt which brought the new government into existence broke out at the aviation school at El Bosque, ten miles from the capital, and the insurgents advanced on Santiago in trucks, escorted by airplanes. Other military units and the 18,000 carbineers, a well-organized force of national military police established by former President Ibáñez, remained

neutral. The air corps, which had been the chief factor in putting down the spectacular revolt of the Chilean Navy in September, 1931, constituted the chief support of the revolutionists. The government doubtless knew of the disaffection in the air corps, for Colonel Ramón Vergara, brother of General Carlos Vergara, "strong man" of the Montero government, had been sent to El Bosque on June 3 to replace Colonel Marmaduke Grove in command of the corps. Colonel Vergara was held as a prisoner by the rebels and Colonel Grove led the advance on the Presidential Palace. President Montero withdrew before the show of force but refused to resign.

The junta, consisting of Dr. Dávila, General Arturo Puga and Eugenio Matte, appointed the following Cabinet, which was sworn in on June 6, the day on which the Congress was dissolved:

LUIS BARRIGA (Conservative)—Foreign Affairs.
General ARTURO PUGA—Interior.
ALFREDO LAGARRIGUE (Independent Progressive)—Finance.
Commander MARMADUKE GROVE—Defense.
EUGENIO GONZALEZ (Communist)—Education.
VICTOR NAVARRETE (Industrialist Progressive)—Public Works.
GUILLERMO AZOCAR (Radical)—Agriculture.
CARLOS MARTINEZ (Socialist)—Lands and Colonization.
RAMON ALVAREZ (Socialist) — Social Welfare.
OSCAR CIFUENTES (Communist)—Health.
PEDRO FAJARDO (Democrat)—Justice.

Dr. Dávila, in a statement on June 6, after declaring that the "prevailing policy" of the new government was Socialist, said that "the new government has not contemplated drastic measures far removed from the past practices of most affairs of state. In this respect international relations will be maintained as hitherto, with an endeavor to improve without exception the spirit of good-will and understanding. No changes of importance are considered, except to foster international understanding between countries. It is probable that Soviet Russia will be recognized. * * * There is no truth in reports persistently published in certain newspapers that the government will expropriate sterling and other deposits in private accounts in banking institutions here at a fixed rate of exchange with Chilean paper money. No expropriation of any kind is contemplated. Bank deposits and other property will be perfectly safe and unharmed by the new conditions in the political field."

In a further statement to the press Dr. Dávila declared: "I believe it would be impossible for Chile to arise from the present depression under the capitalistic system. It is therefore necessary to modify that system by progressive State socialism. I believe the capitalistic system is dying and that the only hope for Chile is fiscalization [nationalization] of many industries, distribution of food, &c. We have no intention of molesting private property, either Chilean or foreign. Contracts, &c., will be respected as they always have been. The foreign debt situation stands as it always has stood. Of course, to socialize to the extent we contemplate it will be necessary for authority to be in the hands of the junta. Congress will be dissolved. I believe that to improve the condition of the masses it is necessary to impose collective economy, parallel to a private economic system."

In spite of the pledges already quoted and similar statements by General Puga and Finance Minister Lagarrigue, the new government on June 9 actually did expropriate foreign deposits by a decree declaring as the property of the State all credits and deposits in foreign currency in Chilean banks, announcing that the government would deposit in the national savings bank the equivalent in pesos (apparently at the rate of 16.50 pesos to the dollar) from new issues of currency by the Central Bank, which was renamed the State Bank by the junta. At the same time with-

drawals were limited to a maximum of 3,000 pesos (about $180) each ten days. The government likewise took over the Viña del Mar Sugar Refinery Company.

Opposition to an expropriation policy was expressed by the National City Bank of New York, and United States Ambassador Culbertson was reported to have informed the diplomatic corps that he had "made representations" to the government on the matter. Great Britain was expected to adopt an attitude similar to that of the United States, inasmuch as the two countries, the chief foreign investors in Chile, have investments said to amount, at normal price levels, to about $1,000,000,000.

A surprising feature of the new situation was the part played by Dr. Dávila. As Ambassador to the United States he faithfully represented the absolutist Ibáñez régime and did much to encourage foreign capital to invest in Chile. He was active in the negotiations leading to the formation of Cosach, the nitrate trust, in which the Chilean Government and foreign investors were equal partners. He ardently advocated economic cooperation between the United States and Chile and defended American economic penetration in the South. In a speech on "North American Imperialism," delivered in Santiago on July 6, 1930, during a visit home while Ambassador to the United States, he said: "To refuse the assistance of foreign capital and technique in that first stage of our economic development would be just the same as giving up all hope of creating our own capital resources which would allow us in time to achieve a real economic independence and even the rôle of financial expansion abroad." It was, no doubt, on his record as the outstanding Latin-American advocate of economic cooperation with the United States that Columbia University and the University of Southern California conferred on Dr. Dávila the honorary degree of Doctor of Laws, and his brief rôle in the new government shows that he has probably not changed his convictions, although he may temporarily have yielded on certain points as a matter of expediency.

Another curious aspect of the situation was the temporary alliance of Marmaduke Grove, bitter opponent of the Ibáñez régime, with Dr. Dávila, one of its supporters. Grove was the leader of a revolutionary fiasco at Concepción in September, 1930, and he is now said to be the most radical member of the junta and to be dictating the policies of the new government. If that is so, his dominant position is a guarantee against the return of Ibáñez, the former dictator, which some opponents have alleged is the real purpose of the junta. The hold that Ibáñez still has on the army and military police, in any case, should not be lost sight of, for he may ultimately be a threat to the new régime. There is danger, too, in the attitude of the professional classes, the chief supporters of constitutional methods, who paraded in protest against the revolution in Santiago on June 6 and were dispersed by military police, and of the university students, who promptly initiated a strike against the new government. The students, however, have apparently been appeased by the government's decision to place the administration of the University of Santiago in the hands of a committee of three professors and three students.

The working classes are apparently supporting the new government, but it is problematical how long the radical labor element can be controlled. On June 8 a mass meeting of 5,000 unemployed demanded that the exclusive Club de la Unión be given to the proletariat as a social gathering place. On the same day it was reported that councils of workers had taken over the administration of Chilean savings banks.

The anti-religious note was introduced by reports that on June 6 nuns

were being expelled from their convents in Santiago and that the religious orders would be dissolved. This was denied by Dr. Dávila.

The position of the new government is precarious. Its sudden accession to power had some of the aspects of a barracks revolt, and it suffers from not having had an opportunity to demonstrate how much popular support it enjoys. Reports of counter-revolutionary activities, though denied by the junta, indicate that it will have plenty of difficulties to cope with. Then there is the further disadvantage, common to all régimes that rise to power with a radical program, of having to steer between ever-increasing proletarian demands and professional and middle-class interests. The majority of Chileans—by tradition individualists—are not fundamentally sympathetic to Communist or even advanced Socialist ideas. Only under terrific pressure of economic stress are they, or the people of any other South American country, likely to submit to a program of State socialism or to perpetuate such a system, even as a remedy for their almost hopeless economic situation.

NAVAL REVOLT IN PERU

A revolt of crews of two Peruvian naval vessels, the Almirante Grau and the Coronel Bolognesi, on May 8, allegedly under Communist or Aprista auspices, developed into a comic opera affair similar to the recent naval revolt in Ecuador and the Chilean naval revolt of last year. Sailors on leave were prevented from rejoining the two ships when news of the projected revolt leaked out, and the vessels, unable to sail with depleted crews, quickly surrendered when submarines trained their guns upon them, airplanes dropped a few bombs and army forces with machine guns were stationed on shore near their anchorages. A few days later eight of the leaders in the revolt were shot and a number of others were sentenced to terms of ten to fifteen years' imprisonment.

Víctor Raúl Haya de la Torre, leader of the Apristas, was arrested on May 6 and ordered by the court on June 1 to be held in Lima Penitentiary on charges of "plotting against the State," no time for his release being set. His arrest led to the breaking off of relations between Peru and Mexico, when Peru requested the recall of Juan Cabral, the Mexican Minister, and the entire legation staff, on charges of "intervention in internal politics," apparently because of Cabral's friendship with Haya de la Torre.

Peru and Argentina, according to the Bolivian newspaper *Ultima Hora* of La Paz, may expect before long Socialist movements like that which triumphed in Chile. Representatives of the Peruvian Apristas do not seem to agree as to whether their organization is purely Peruvian or internationalist in its aims. While Dr. Héctor A. Morey was denying in *La Prensa* of New York any "foreignizing" tendency, Alejandro Rojas Zevallos was predicting that within sixty days a revolution would take place in Peru similar to that in Chile.

Peru on May 14 abandoned its effort to maintain the gold standard, and on May 29 the Finance Minister introduced a bill to reduce the gold backing of the sol from about 98 per cent to 50 per cent, with a corresponding increase in the silver and marketable paper backing.

ELECTIONS IN PARAGUAY AND BRAZIL

Eusebio Ayala was elected President of Paraguay on May 8. Nominated by the Liberal party, he was the only candidate. Dr. Ayala, a former Minister to the United States, Cabinet Minister and professor in the National University, will take office for a four-year term beginning on Aug. 15.

Provisional President Getulio Vargas of Brazil on May 14 signed a decree calling for the election of a Constitutional Assembly on May 3, 1933.

The Anglo-Irish Dispute

By J. BARTLET BREBNER
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ON June 6 it was announced that President de Valera of the Irish Free State had invited the British Government to negotiate with his government on the matters in dispute between them. J. H. Thomas, Secretary for the Dominions, and Viscount Hailsham, Secretary for War, immediately left for Dublin, where they had preliminary conversations with Mr. de Valera. The Irish President himself called at 10 Downing Street on June 10, but hours of argument were of no avail, and when the conferees parted, the Anglo-Irish deadlock was as great as ever.

Mr. de Valera's decision to open negotiations displeased extremists on both sides; the advocates of Irish independence were chagrined that he had reversed his decision not to visit London "under any circumstances," and the die-hard English Tories regretted losing the chance to punish the Free State by abolishing tariff preferences. On the whole, Mr. de Valera's move represented a triumph for the British view that one party alone ought not to repudiate a bilateral agreement such as the treaty of 1921, but its real basis was the obvious necessity of clearing away difficulties before the opening of the Ottawa Conference.

During May Mr. de Valera's position had become quite difficult, although he and his Cabinet did not publicly moderate their stand on the question of either the oath or the annuities before the announcement of June 6. The unamended oath bill passed its third reading by 77 votes to 69 in the Dail on May 19. In the Senate it passed first and second readings without division, but in committee on June 8 the Senate rejected a vital section of the bill. By the unexpectedly large majority of 33 to 22 the government's proposal was amended by a provision for settlement by agreement with the British Government instead of by one-sided legislation. The oath bill thereupon went back to the Dail in its new form, its first section removing the oath from the Constitution and its second section suspending operation of the measure until an agreement is reached with Great Britain. The Dail was thus placed in the position of having to reject the bill, in which event a delay of eighteen months would be the only alternative to holding a general election as soon as possible.

The budget which Finance Minister Sean MacEntee introduced on May 11 was another handicap. It staggered the country by raising the income tax (on £125 or over) from just under 16 per cent to 25 per cent. It taxed amusements of all kinds and increased a number of duties. In addition, the Minister made it clear that high tariffs and civil service salary reductions must be expected. On the same day Mr. Thomas had announced that if the Free State unilaterally repudiated the oath Great Britain would in the same way simply drop the tariff preferences when they expired on Nov. 15. Immediate results of this situation included the decision of individuals and industries to leave for England, grave anxiety on the part of both substantial business men and those whose small incomes were to be

heavily taxed, and also the farmers, who had not been concerned whether the Free State kept the annuities but who greatly feared the loss of English markets.

Thus, while there has been no question of Mr. de Valera's sincerity or courage, he has had to concern himself with the external consequences of his domestic policies. Ireland may some day become a self-contained economy. Indeed, there has been broad discussion in recent months as to the possibility of her becoming a quiet and peaceful agricultural country that would not try to keep up with the European tempo. Yet such a change must be gradual unless social and economic revolutions are positively invited. Mr. de Valera has announced his intention of going to Ottawa, and a halt to his precipitancy should improve the prospects of friendly consideration for Ireland's special problems.

BRITISH MONETARY PROBLEMS

Monetary policies calculated to cope with falling prices and stabilized wages were vigorously discussed in Great Britain during May. In spite of a cut in the Bank rate to 2½ per cent on May 12 and very easy money in London, prices continued to fall until, for the week ending June 4, Crump's index was 60, that is, lower than the 60.5 of the Saturday before England abandoned the gold standard. A 25 per cent depreciation in the pound sterling and the creation of a tariff had not, therefore, effected a rise in prices. Most of the countries from which Great Britain makes large purchases had followed her off gold and it was obvious that unaided she could not send up even domestic prices except by inflation.

A substantial section (largely industrialist) of the Conservative majority favored inflation, but the government and the Bank of England were resolutely opposed. Using the new Exchange Equalization Account, they combined their resources to keep the pound steady at $3.68 to $3.70. The May "flight from the dollar" made this difficult, and success was obtained at the price of buying about $73,000,000 worth of gold in April and May and adding, between April 1 and May 21, about $200,000,000 to holdings of foreign bills. The Treasury, it was presumed, reimbursed the Bank for its bookkeeping losses on these transactions. The British exporter had the satisfaction of a relatively steady currency.

Sir Robert Horne continued to demand further inflation and on May 25 he and L. S. Amery tried unsuccessfully to amend the equalization legislation so as to permit the Bank to buy silver. The whole world would like to check the fall in commodity prices and it was known that the Bank of England and the Federal Reserve Bank of New York were cooperating to make credit easier. It was reported that British emissaries were sounding out European response to cooperative policies, and in the last week of May, after several feelers, the British Government invited the United States to join in an international economic and monetary conference after Lausanne. The acceptance on condition that war debts, reparations and tariffs be excluded cooled British enthusiasm and hopes turned again to the Ottawa conference. It seemed certain that an imperial currency and bimetalism would be vigorously discussed there. In Great Britain increased support was given to proposals for a paper currency almost divorced from gold, backed by imperial credit and maintained in relation to commodity prices.

The statistics of foreign trade for April continued to show moderate improvement in relation to the balance of trade. Exports were £39,420,000 (£2,800,000 more than March, 1932, and £349,000 more than April, 1931). Imports were £53,480,000 (£7,639,000 less than March, 1932, and £16,540,000 less than April, 1931). The ad-

verse balance of £14,060,000 was £10,-439,000 less than March, 1932, and about £17,000,000 less than April, 1931. The total volume, however, was discouraging. The unemployment figures for April showed an increase of 84,849 to 2,652,181, being 132,068 more than in 1931.

Neville Chamberlain on May 10 delivered an alarming speech in which he said that further economies might be necessary which "would involve changes in national policy which would go far beyond anything yet contemplated." He did not specify the possible causes, but observers suggested resumption of debt payments to the United States, miscalculation of income tax returns, currency and price difficulties and the increasing paralysis of international trade. The source of the economies was more obvious. All the social services and education are now under Conservative attack. Thousands of persons have been struck off the unemployment register and compelled to seek parish relief, the health services are being curtailed, old-age pensions face a reduction, and it is now proposed to raise the school entrance age from 5 to 6.

Two serious strikes threatened the country. In the northern counties 200,000 textile operatives voted to strike rather than accept a new wage agreement, but also to continue negotiations for a better one. The new coal mines bill introduced in Parliament on May 31 did not conform to the not yet ratified international agreement on a seven-hour day. The miners having now few representatives in Parliament, their leaders threatened to strike if the Conservatives exploited their advantage.

CANADIAN AFFAIRS

There was a marked absence of positive action in the Canadian Parliament during May. It was even announced that rather than engage in preliminary conversations with the British Government before the Ottawa Conference the Canadian Government had preferred to withhold its plans. The Senate tried to purge itself of the taint of the Bauharnois scandal by censuring Senator W. L. McDougald and Senator A. Haydon very vigorously and Senator D. Raymond mildly. McDougald resigned, and it was expected that Haydon, who is ill, would be dropped for non-attendance. Prime Minister Bennett finally won from the Opposition a free hand for himself in relief policy. Assisted public works are being given up and direct public relief is gaining in favor. The committee report which recommended reduction in Canadian National Railway expenditures was adopted.

Mr. Bennett announced that the United States would facilitate the proposed new scheme of national radio broadcasting by a redistribution of channels. There was to be a chain of high-powered stations across the Dominion, supplemented by smaller stations. Acquisition of existing private stations and completion of the scheme were to be gradual and the system was to be self-supporting. Revenue was to be derived from the $2 fee now collected for about 600,000 receiving sets and from advertising, which must not exceed 5 per cent of the programs. Control was to be vested in a board of three members.

As Parliament approached its recess it became obvious that the United States was about to erect a tariff that would exclude two more Canadian products, lumber and copper. During the last generation one Canadian enterprise after another has won a market in the United States only to lose it because of tariff measures. This policy has made Canada seek markets for her products elsewhere and is now driving her toward reciprocity agreements with other members of the British Empire. Last year she sent $15,000,000 worth of lumber and $13,000,000 worth of copper to the United States, while Great Britain took most of her imports of

copper from the United States and lumber from Scandinavia and Russia. Now Canada will try to sell to Great Britain direct.

Canada's foreign trade during April was 33 per cent less than in 1931, but the adverse balance dropped from $17,254,000 to $2,818,000. Exports to the United Kingdom increased and to the United States decreased as compared with 1931, and imports from the United Kingdom held up better than those from the United States. There was a marked and encouraging rise in both value and volume of exports of foodstuffs, most notable in wheat and meats. Exports of copper were more than double those of April, 1931, and those of silver also increased.

Canadian dollar exchange was weakened by the heavy payments due in New York on June 1. The government appears not to have authorized sufficient shipments of gold to raise it. On June 7 the dollar stood at 86 cents in United States currency.

AUSTRALIAN LABOR DEFEATS

As the result of recent elections Labor is at present out of office in five of the six Australian States as well as in the Federal Government. J. A. Lyons, the Commonwealth Prime Minister, thus has almost complete support for the financial reconstruction scheme known as the Premiers' Plan. Victoria turned out its Labor Government and on May 14 gave Sir Stanley Argyle, State leader of the United Australia party, a majority of 29 in a House of 65.

The day before, J. T. Lang, Labor Premier of New South Wales, delivered himself into the hands of his old opponent, Sir Philip Game, the Governor, by insisting on unconstitutional procedure, and was dismissed. He was succeded by B. S. B. Stevens, leader of the Opposition. It was necessary, however, for Mr. Stevens to hold an election in order to obtain a majority for his government in the Legislative Assembly, and this, which took place on June 12, gave the new Premier a majority of 42, Labor being returned with but 24 seats instead of its former 55. Meanwhile, Mr. Stevens at once embarked on full cooperation with Mr. Lyons. He paid off £300,000 which was in default and was assured of assistance in meeting the £4,000,000 unpaid by the Lang government. Mr. Lang's cause was helped when the scholarly Justice A. B. Piddington resigned on May 20 because he held that the Premier's dismissal was unconstitutional. One of Mr. Lang's long-fought campaigns was ended on May 31 when the Judicial Committee of the Privy Council in London ruled that the Parliament of New South Wales could not abolish the Legislative Council of the State without a referendum.

In Queensland an election was also held on June 11. It resulted in the return of the Labor party under the leadership of William Forgan Smith.

The Australian trade balance has continued to be favorable, and was expected to amount to £35,000,000 for the current fiscal year. In terms of the total national economy, including its overseas obligations, this would mean a favorable balance of payments of £8,000,000 if the moratorium on war debts to Great Britain continued or of £3,000,000 if it did not.

DISTRESS IN NEW ZEALAND

Riots on May 10 and 11 in Wellington, the capital of New Zealand, involving 4,000 men lately employed on public relief works drew attention again to the misery of New Zealand. A public safety act has deprived discontent of organized expression, but unemployment has increased and taxation has been insufficient to cope with it. The relief camps where manual labor qualifies men for relief have not been successful. Unemployed women and youths under 21 are not registered for relief. The Cabinet has, as yet, announced no substitute for or

supplement to its inadequate and drastically enforced policy. On June 7 strikes broke out at the Westland and Waikato coal mines, and it was feared that the movement would spread to the docks and shipping.

NATAL'S SECESSION MOVE

The Province of Natal, which entered the South African Union in 1910 with the Cape of Good Hope, the Transvaal and the Orange Free State, now wishes to withdraw. The Afrikaaner or Boer elements who dominate the Union Government and are strongest in the Transvaal and the Orange Free State are opposed. Natal objects to compulsory bilingualism, wants more local self-government through its provincial council and favors close cooperation with Great Britain. It prefers a loose African federation including the Rhodesias to the present close union. Much of its criticism has really been directed at General Hertzog and the present Nationalist Government. On June 2 a congress was held at Pietermaritzburg to plan methods to bring about secession.

INDIAN COMMUNAL STRIFE

The season of Muharram (the Moslem New Year) was this year again the occasion of Hindu-Moslem hostilities in Bombay. The trouble, which began on May 14 when Hindus beat two Moslem boys who had been bothering a storekeeper, lasted with little intermission until May 19, with a couple of sporadic outbreaks on May 20 and 30. The city was terrorized and when armed police proved unable to check the fighting, troops and armored cars were brought in. The casualties amounted to 157 killed and 1,660 injured, but there were no attacks on Europeans. Local observers declared that the strife was worse than in 1930, for there was an immense amount of looting and arson and also deliberate desecration of Hindu and Moslem temples. The trouble spread to Calcutta, but was there confined to one outbreak on May 17.

Two of the three investigating committees of the Round Table Conference have made their reports. On May 6 the Federal Finance Committee presented Federal and Provincial budgets as for 1935-1936, showing the incidence of taxation and distribution of expenditure. On June 2 the franchise committee presented its scheme. It proposed to expand the electorate from 7,000,000 to 36,000,000, including 6,600,000 women. Illiteracy was to be a bar to further extension, but the property test was to be lowered and the educational test based on an upper primary standard. Special provisions were devised to qualify 10 per cent of the propertyless, uneducated "untouchables" and for other depressed classes. The Nationalists received the report quite favorably; the Moslems were suspicious of not receiving the representation they demand; the Princes of the Native States were apprehensive of being outvoted in joint sessions of the Senate and Lower House; the financial authorities feared a five-fold increase in the cost of elections.

The repressive ordinance of Dec. 2, 1931, in Bengal, was replaced by a more moderate one on May 29, and this was believed to forecast general moderation in the light of recent success in checking the Nationalists. During the first four months of 1932, there were 44,754 convictions under the ordinances and at the end of April there were 32,524 in jail.

PACIFICATION OF MALTA

The constitution of Malta, a self-governing dependency, was suspended on June 24, 1930, because of "the intervention of the Vatican in the temporal affairs of the island." A Royal Commission of investigation was appointed a year later, and on Feb. 11, 1932, reported that the conflict between Lord Strickland, the Governor, and the Maltese ecclesiastics was originally trivial, but aggravated by the behavior of the Governor to the

point where it involved personal animosities and divided the island "into very embittered cliques." The Maltese press had behaved better than either the Governor's clique or the clergy. The final acts of refusing the sacraments to Lord Strickland and of threatening to excommunicate any one voting for the Constitutional and Labor parties were partly attributable to Ministerial provocation.

The Ministers whose powers were suspended resigned on March 2, and the commissioners received assurances from the clergy that they would cooperate harmoniously with a restored government and Ministry. The commissioners therefore recommended the restoration of the constitution. The British Government agreed and accepted the additional recommendation that English should be the only language taught in elementary schools in addition to Maltese. The restrictions on the teaching of Italian incidentally led to a declaration by Signor Grandi, the Italian Foreign Minister, that his nation was "deeply hurt."

Religious peace was formally restored in Malta on June 3 when a pastoral letter from the Bishops of Malta and Gozo was published, revealing an apology by Lord Strickland for his offensive public utterances and its acceptance by the Pope. Electoral freedom now exists, although all Catholics are reminded that they are obliged in conscience to vote for candidates who will protect Maltese Catholic interests.

THE OTTAWA CONFERENCE

Since the article, "British Imperial Issues at Ottawa," on pages 423-428 of this magazine, was written, some changes in the situation have taken place. The weight of the British delegation, the thoroughness of its preparation, and the invitations which it issued to all the dominions except the Irish Free State to conduct preliminary exchanges of views, seem to have frightened South Africa and Canada. Australia, New Zealand and Newfoundland have renewed their expressions of hope for fruitful cooperation. The Irish Free State has tried to negotiate its political differences in order to go to Ottawa unhandicapped. Canada's refusal of preliminary negotiation may reflect either lack of preparation or increased particularism. The policy of South Africa, where the domestic situation is obscured by several serious issues, is also doubtful.

Herriot Again French Premier

By Othon G. Guerlac

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A PARLIAMENTARY interregnum has seldom been more replete with momentous events than the one in France which began on April 1 and ended two months later with the convening of a new Chamber. During that period a Left majority was elected to replace the majority that had ruled the House for four years; a popular and beloved President was assassinated; a new President was elected in a semi-partisan truce, and, finally, a new Ministry led by Edouard Herriot as Premier and Foreign Minister was formed as soon as the two houses of Parliament had chosen their officers.

André Tardieu, who, between the first balloting on May 1 and the second on May 8, had made a last effort

to stem by his dynamic oratory the adverse tide, acknowledged his defeat on May 10. In sending to the new President the resignation of his Cabinet it was, he wrote, proud to say that it left behind "a sound situation, a calm, well-ordered and secure country. Our production is amply protected against the world depression; our unemployment is twenty times below that of our neighbors; our currency is intact and strong; the budget was voted on time, the public debt was reduced by 20,000,000,000 francs and we have practiced a policy of peace and reparations approved by the well-nigh unanimity of all parties."

During May, M. Tardieu carried on the business of state without, however, returning to Geneva or making any important commitments that would bind the next Cabinet. On May 24 he presented to M. Herriot a full report of financial, economic and political affairs at the moment of his departure from office.

Never has the choice of a new Premier appeared more obvious than in the case of M. Herriot. Leader of the Radical-Socialists, who, numbering more than 160 members, constitute the largest group in the new Chamber, he bore the burden of the election campaign. While he refused to commit himself in advance to any definite alliance, the Socialists, through Léon Blum, their spokesman, had declared the conditions on which they would participate in the government. Their 129 adherents represent an important element, but their attitude on State ownership and disarmament is such that M. Herriot could not accept their proposals. Nevertheless, speaking before the executive committee of the Radical-Socialist party on May 31, M. Herriot did not reject the cooperation of the Socialists. Declaring that he would submit to no terms, he said: "The only program which dominates all others at present is that which permits us to establish a balanced budget at home, together with political and economic understanding abroad. In the accomplishment of such a task we are ready to work side by side with the Socialists in the government."

Four days later, on June 4, he announced the following Ministry, which was restricted to members of his own party and their immediate associates:

M. Herriot, President of the Council and Minister of Foreign Affairs.
Camille Chautemps, Interior.
Rene Renoult, Justice.
Louis Germain-Martin, Finance.
Maurice Palmade, Budget.
Joseph Paul-Boncour, War.
Georges Leygues, Marine.
Paul Painleve, Air.
A. De Monzie, Education.
Edouard Daladier, Public Works.
Jean Durand, Commerce.
Abel Gardey, Agriculture.
Albert Dalimier, Labor.
Albert Sarraut, Colonies.
Justin Godart, Health.
Aime Berthod, Pensions.
Dr. Henri Queuille, Posts, Telegraphs and Telephones.
Leon Meyer, Merchant Marine.

The combination of War, Navy and Air Ministries into a single department of national defense, for which the Radicals had criticized the Tardieu Ministry, was not retained, in spite of the advantages that it seemed to possess.

No attempt at a concentration Ministry is apparent, not a single member of the Tardieu Ministry being retained, while the majority of the members are Radical-Socialists, of which there are thirteen among the Ministers alone. Only five portfolios were given to men who are not regular members of that party. The veteran Georges Leygues belongs to "the Republicans of the Left," the ex-Professor of Law and former Minister of Finances Germain-Martin is an Independent Radical, while Painlevé, who at first was the choice of the Left for the Presidency and who withdrew in favor of Albert Lebrun, belongs to the party of Briand, known as the Republican Socialists. Five of these men have been Premiers, if we include Daladier, who held office for only a few days. All have had Ministerial experience ex-

cept Paul-Boncour, who had long been barred from active participation in government by his membership in the official Socialist party (*Section Française de l'Internationale Ouvrière*). Since he left the party at the time of his election to the Senate, early in the present year, he at last was able to contribute to the government his remarkable talents as an orator and an advocate of peace and security in and out of Parliament, and especially before the League of Nations, where with Briand he was the outstanding French spokesman. He will continue with Herriot and Leygues the negotiations on disarmament.

The first contact of the Herriot Cabinet with Parliament, on June 7, resulted in an overwhelming vote of confidence—390 to 150. The Ministerial declaration was emphatic on reparations and on disarmament. On the first point it said: "Regarding reparations, France cannot permit those rights to be contested which are the outcome not only of treaties but of contractual agreements protected by the honor of the signatories. If the world is withdrawn from the sovereignty of law, it must sooner or later fall under the empire of force. In affirming that principle the government of the republic is conscious of defending no selfish privileges but universal interests. For the rest it is ready to discuss any project, to take any initiative which will produce the compensation of greater world stability or loyal reconciliation in peace."

Toward disarmament Herriot stated that he would favor all solutions "within the framework of the covenant and in the spirit of the Pact of Paris which will permit, without compromising national security, the lightening of military charges and will represent a step toward progressive, simultaneous and controlled disarmament." M. Tardieu tried to obtain a promise not to lower France's military expenditures below the 1932 level unless some further guarantee of protection came from the conference, but M. Herriot refused.

The vote of confidence represented the full strength of those who won the election, including, in addition, some members of the former Cabinet. It gave the new Premier authority to represent the views of the majority both at Geneva and at Lausanne. The Socialists contributed their support in the hope that progress would be achieved at both conferences.

THE NEW PRESIDENT

The first message of the new President of the republic was read to Parliament at the same time as the Ministry's statement of its program. President Lebrun declared that he would be an impartial arbiter among the parties in order to enforce the Constitution. The party to which he has hitherto belonged is the Centre group of the Senate, the "Republican Union," whose political views correspond to those of Poincaré and Tardieu. Léon Blum has described M. Lebrun as "the most reactionary President since Félix Faure." Although that is somewhat overstated, his appearance on the same slate in 1919 with the Nationalist Marin, which caused Clemenceau to drop him unceremoniously from the Ministry, might lend some justification to such a characterization. But in 1919, in the frontier department of Meurthe et Moselle, national feeling was stronger than any party consideration.

Since M. Lebrun entered Parliament in 1900, at the age of 29, as the successor and under the auspices of the late professor and academician Mézières, he seems to have been less a party man than one of those industrious and specialized legislators who make one forget his political affiliations and who become indispensable to any Ministerial combination. Indeed, this so-called "reactionary" was chosen by the Radical-Socialist Caillaux as Minister of Colonies in his Cabinet in 1911. He kept that port-

folio in the Doumergue and Poincaré Ministries until the outbreak of the war. In 1917 Clemenceau placed him at the head of the Ministry of Blockade and Liberated Regions, where he remained until the "Tiger," with his customary abruptness, offered him the choice between his post and his place on the same ticket with M. Marin, who had voted against the Treaty of Versailles as too lenient toward Germany. M. Lebrun resigned but was re-elected to the Chamber.

In the Senate, which he entered in 1920, he immediately became an active member of various commissions, was elected its Vice President in 1926 and President as the successor of Doumer in June, 1931.

ECONOMIC CHANGES

Before his retirement, but in consultation with his successor, M. Tardieu settled the Franco-American problem of the import quotas which have caused a great deal of annoyance and no little financial loss to American manufacturers. On June 1 the ex-Premier approved a most-favored-nation agreement which now assures American exporters material increases in quotas, including those for radio sets, tools, leather products, electrical machinery, paper and lumber. This agreement is understood to constitute the first step toward a general commercial treaty and takes the place of the present *modus vivendi* effective since November, 1927, which, though assuring most-favored treatment for 471 American commodities, was only temporary and could be denounced at will. Nevertheless, the Tardieu government issued also a decree placing quota restrictions on the importation of various other articles such as shoes, fountain pens, silver and artificial jewelry. These restrictions touch many American articles, although they do not specify the particular amounts that can be imported by each country.

The French economic situation is far from cheerful. The figures for tax receipts in April, the first month of the French budgetary year, fulfilled the worst forebodings when published on May 25. These fell 5 per cent, or $6,102,750, below the estimates. The month's total was $8,196,250 below that for April, 1931. Since the average monthly deficit for 1931 was $3,740,000, the new figures are taken as evidence that the economic depression is having a cumulative effect on the French budget. In one of the first statements issued by M. Germain-Martin, the new Finance Minister, on June 8, we learn that the deficit for 1932 will be between $240,000,000 and $350,000,000.

DEATH OF ALBERT THOMAS

The same week that saw President Doumer's tragic end claimed another man who had been prominent in French political life. On May 7, Albert Thomas, head of the International Labor Office of the League of Nations, died suddenly at the age of 54. His name is inseparable from the institution which he literally created and to which he had devoted twelve years of his life. He abandoned teaching for politics in 1910, when he was elected Socialist Deputy of Paris. His scholarship, industry and oratorical gifts marked him out as a successor of Jaurès, whose admiring disciple he was and whose seat he won in the department of Tarn at the 1919 elections. During the war, in 1915, Viviani entrusted to him the Under-Secretariat of Munitions, while Briand made him head of the Ministry of Armament, where he displayed remarkable qualities as an organizer. In 1920 he abandoned active politics to devote himself to the International Labor Office established under Part XIII of the Treaty of Versailles. Every legislative effort for the betterment of labor conditions in the world was in part inspired or prepared by him.

BELGIAN CABINET CRISIS

The linguistic question has caused another Ministerial crisis in Belgium. On May 17 the Renkin Cabinet, which

had been in power since June 5, 1931, decided, without an adverse vote of Parliament, to hand its resignation to the King. The Prime Minister's reason was that the promises he had made to the Liberals on the language issue could not be kept because of the attitude of the Flemish Democrats, who refused to compromise on the principle of "linguistic territoriality" in primary and secondary education adopted by the Parliament.

"Linguistic territoriality" means that in the Flemish provinces instruction is to be given exclusively in Flemish and in the Walloon provinces exclusively in French. The new scheme provided for *unilinguisme,* equality of the different regions and absolute local autonomy in regard to instruction in a second language. Such a plan seems to the French-speaking Belgians to favor unduly the language of the numerically stronger Flemish element, and they believe that French, which is the language not only of the Walloons but also of a large number of Flemings who, like Verhaeren, Maeterlinck and others, have enriched French literature, should not be treated merely as a provincial dialect. A large section of the Liberal party supported their claims to which a Senate bill gave partial satisfaction. The Chamber, on the other hand, passed a bill that granted the Flemish group what they sought.

M. Renkin felt that by resigning before a hostile vote could be taken, he would be able to form a new Cabinet and renew negotiations on a new basis. In the hope of bringing about a compromise between the conflicting nationalisms, he formed another Cabinet on May 23. It included only three new Ministers—one Liberal, one Christian Democrat and one member of the Flemish Right. The Cabinet's program, read before Parliament on May 25, pledged the government to a linguistic settlement that would meet the requirements of all parties and to a general policy of financial rehabilitation and peace and disarmament with security. The government received a vote of confidence although the Liberals were not satisfied with the solution of the language problem.

The Dismissal of Bruening

By SIDNEY B. FAY

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CHANCELLOR BRUENING and his moderate coalition Cabinet, which had depended for its support on the Roman Catholic Centrist and Social Democratic parties, resigned on May 30. The resignation was not caused, as is usual, by parliamentary rejection of an important law or by a vote on no-confidence on the part of the majority in the Legislature. On the contrary, less than three weeks earlier, on May 12, after very serious disorders in the Reichstag by the National Socialists, Bruening had received the substantial majority of 287 to 257 on a test vote. His resignation resulted from the general feeling that his semi-dictatorial system of government by decree instead of by statute law had not achieved notable successes and was no longer backed by the majority of the German people as distinct from the majority of the Reichstag, which, elected nearly two years before, was thought no longer to reflect accurately the wish of the voters.

The specific cause of the resignation was President von Hindenburg's refusal to sanction Bruening's proposal to provide relief for unemployment by dividing some of the large country estates of East Prussia into small farms. This looked to many like Bolshevist expropriation. But in a larger sense Bruening's plan brought to a head the wider and long-existing struggle for control between the Left and the Right elements in Germany since the war—between the working classes and the combined forces of the agrarians, the big industrialists and those intellectuals and other middle-class elements that still feel so acutely the effects of the war and the inflation.

Dr. Heinrich Bruening has left a deeper mark on German politics than any of his post-war predecessors. Under him, though not through his initiative, the Rhineland was at last freed from French occupation in June, 1930. In the face of a Parliamentary régime seriously disrupted by intense party antagonisms, he had the courage to place confidence in President von Hindenburg to make use of the emergency clause of the Constitution which virtually enabled the Chancellor to govern Germany without interference from party factions. In a period of rapidly increasing world depression as well as of Germany's own economic troubles, he had the energy, personal force and disinterestedness to carry through a series of heroic measures intended to ease the situation at home in order that Germany might be able to take up a stronger and more independent position abroad. These measures, by very heavy taxation, social welfare legislation and the control of banks, prices and wages, almost made the Reich a Socialist State, and convinced foreign economists and business men that Germany was doing her utmost to meet the hard terms of the Treaty of Versailles and the subsequent reparations and financial obligations. This conviction was expressed in the Wiggin report of last August and the Basle report of last December. But, unfortunately, foreign politicians did not take action in accordance with the recommendations of these reports. Hence Bruening was regarded at home as having failed in his policy of conciliation and fulfillment, which had also been the policy of Stresemann.

Like President Wilson, Bruening pursued idealistic aims, but failed to bring them to realization, partly because of the selfish obstinacy of foreign politicians and partly because he was unable to persuade the majority of his own people to follow him in his ideals. Like President Wilson, also, he undertook too heavy a share of the burden of government, working out personally all the details of his multifarious decrees, and assuming for a considerable period the duties of the Foreign Office as well as those of the Chancellorship. Upon his resignation he was sent to bed by his doctors with what they described as a nervous heart attack. But Bruening is only 44, and a younger man than President Wilson was when he made his fight for the League of Nations. He is likely to be heard from again in the future.

France, Great Britain and the United States must share largely in the responsibility for Bruening's fall. They failed to take the necessary steps, recommended by the experts on international committees, that would meet his efforts half way and help to restore international confidence, credit and economic stability. Eleven months have passed since President Hoover's moratorium, and in those eleven months the politicians, especially in France and the United States, have reached no agreement as to what should be done when the moratorium expires. Great Britain apparently has wisely been ready for a general cancellation of reparations and war debts. But official United States will not hear of the latter, nor France of the former, although, as this is written,

the postponed conference at Lausanne is only a few days away. Eleven months ago a workable adjustment with the ideals Bruening stood for might have been achieved; now his successors in office will not be so easy for Europe to deal with.

The increasing numbers within Germany who denounced Bruening's "system" as a failure could indeed point to the fact that all his efforts to satisfy and conciliate the upholders of the Versailles treaty had brought no equivalent concessions on their part. Nothing was done in regard to reparations beyond the moratorium. No tangible steps have been taken by the League of Nations in the reduction of armaments or in delivering Germany from her present position of inequality in this matter. German rights in Danzig and Memel are regarded as menaced by the Poles and the Lithuanians. Bruening, his opponents say, sat still while the League of Nations neglected to take energetic and timely action to prevent Japanese aggression in China—not that Germany is so much concerned about the fate of China, as that the League's impotence in the Far East is regarded as evidence of how little Germany may expect from the League in case of aggression by Poland. And finally, at home, unemployment remains frightfully high (about 5,675,000 on May 15); taxation is crushing, and the budget still shows an alarming deficit —for the fiscal year ended March, 1932, 449,000,000 marks in the ordinary budget, 152,000,000 in the extraordinary budget, and 1,031,000,000 carried over from the the deficit of the preceding year, making a total actual deficit of 1,632,000,000 marks, or about $400,000,000.

The evidence of the increasing trend against Bruening and in favor of the National Socialists was indicated in the Presidential and State elections of March and April, and further evidenced by the State election in Oldenburg on May 29. Here the Nazis polled 131,525 votes, as against 97,778, and the Nationalists 15,629, as against 12,500, in the Diet elections a year ago, while the Left moderate parties showed sharp losses, thus giving the Right groups a clear majority of the total votes. The same trend was shown in the Mecklenburg-Schwerin State election on June 5, when the Nazis carried 29 out of the 58 seats, the Social Democrats 18, the Nationalists 5, the Communists 4 and two other small local factions 1 each.

President von Hindenburg evidently felt he could not shut his eyes to this trend of general feeling. Besides, he had been spending a few weeks in East Prussia among Junker friends of his youth, who own large estates. Under these circumstances, it is not altogether surprising that he should have refused to sanction his Chancellor's latest drastic decree to split up their estates into small farms. Just as in 1918 he brought pressure to bear on the Kaiser to abdicate in favor of the republic, so now, after supporting Bruening long and loyally in exercising a semi-dictatorial authority which appeared to have outlived the support of the majority of the voters, he refused to accept the Chancellor's request and turned to the formation of a Cabinet of the Right. In Liberal eyes he may seem to have dimmed his prestige, but to say, as do some of the headlines, that he "ousted" Bruening, or acted unconstitutionally, is incorrect. Though he did not follow the precedent of dropping a Chancellor no longer supported by a majority in the Reichstag, Hindenburg acted quite constitutionally and within his rights in refusing to sanction, under Article 481, a decree of which he disapproved.

THE NEW CHANCELLOR

The selection of Colonel Franz von Papen by President von Hindenburg to succeed Bruening as Chancellor caused some surprise. Adolf Hitler did not want to accept the office or dictate to whom it should be given,

because his National Socialist party does not yet command a working majority in the Reichstag; he prefers to wait until after the next general election, when he hopes his followers will be returned in greater numbers than ever. He was therefore willing to accept a stop-gap Chancellor.

Colonel von Papen achieved notoriety as the German military attaché in Washington who was recalled by the German Government in 1915 at President Wilson's request because of an alleged violation of American neutrality and misuse of diplomatic privileges. He was indicted on five counts, including the charge of furnishing money and electric fuses and wires for blowing up the Welland Canal in Canada, but as he had left the country he was never brought to trial. A *nolle prosequi* was entered, for lack of evidence, in New York on March 8, 1932. After his return to Germany Colonel von Papen became an active member of the extreme right wing of the Centrist party. He has been disavowed, however, by the party, and cannot look for support from its Parliamentary group, which still regards Bruening as its leader.

The new Chancellor's task was to form a concentration Cabinet of the Right elements representing predominantly conservative agrarian interests, heavy industry and, above all, the army—the old Germany. Labor is completely unrepresented in the new Cabinet, which is made up as follows:

Colonel FRANZ VON PAPEN—Chancellor.
Baron CONSTANTIN VON NEURATH—Foreign Affairs.
Baron SCHWERIN VON KROSIGK—Finance.
Baron WILHELM VON GAYL—Interior.
Professor HERRMANN WARMBOLD—Economics.
Lieutenant General KURT VON SCHLEICHER—Defense.
Baron FRIEDRICH EDLER VON BRAUN-Food and Agriculture.
Baron VON ELTZ-RUEBENACH—Transportation and Posts.
HUGO SCHAEFFER—Labor.
Dr. FRANZ GUERTNER—Justice.

In view of its predominantly Junker character, the Cabinet has been dubbed by the Socialist press the "Monocle Cabinet," or the "Almanach de Gotha Cabinet." Baron von Neurath, hitherto German Ambassador to Great Britain, has expressed anti-republican sentiments. General von Schleicher is a notoriously able member of the former General Staff and will feel at home as Minister of Defense; he is also credited with having intrigued to bring about Bruening's fall. Baron von Eltz-Ruebenach is a trained railway official, Baron von Braun an influential agrarian and Baron von Gayl an experienced Prussian civil servant of the old days. Hugo Schaeffer held high civil service posts in the State of Wuerttemberg and was financial director of the Krupp works during the Ruhr occupation.

As it soon became evident that the new Cabinet could not find a majority in the old Reichstag because of the certain hostility of the Social Democrats, the Centre and the Communists, Colonel von Papen preferred not to face the Legislature. Instead, he secured a decree from the President dissolving the Reichstag and calling for a new general election on July 31; that is, just within the constitutional requirement of not less than sixty days from the date of dissolution.

Until the Reichstag election took place, Chancellor von Papen could accomplish little in the field of domestic politics, except restore to the Nazis the right to have their Brown Shirt military organization, of which they had been recently deprived by General Groener, the former Minister of Defense. This was one of the chief grievances of the Hitlerites against the Bruening Cabinet.

PRUSSIAN DIET MEETS

When the recently elected Diet in Prussia met on May 24, open conflict took place between the Nazis and the Communists, and several members were badly hurt. Eventually Wilhelm Kerrl, a National Socialist, was chosen President of the Diet, in accordance

with the precedent that the strongest party in the Legislature names the presiding officer. But the Diet was deadlocked over the choice of a Premier to succeed Dr. Otto Braun, a veteran Social Democrat, because it is impossible for any candidate to secure an absolute majority in the present chamber, and a recently passed law provides that the Premier must be elected by an absolute majority, instead of by a plurality, as had hitherto been the case. In view of this deadlock Chancellor von Papen refused to hand over to the Prussian Government 100,000,000 marks due it by the Reich.

NEW AUSTRIAN CABINET

The Austrian minority government headed by Chancellor Karl Buresch resigned on May 6. Its waning prestige and power had been further weakened by the provincial elections on April 24, in which the Clericals were defeated and the Austrian Hitlerites, who have stolen the thunder of Austria's former Fascist group, the Heimwehr, made great gains. Dr. Buresch's Cabinet was the twentieth which Austria has had in the fourteen years since the war.

After two weeks of uncertainty and party negotiations, a new Cabinet was formed by Dr. Dollfuss as Chancellor, Foreign Minister and Minister of Agriculture, and Karl Vaugoin as War Minister. Dr. Dollfuss is 40 years old, a Christian Socialist like his predecessor, and secretary of the Lower Austrian Farmers' League. He studied law in the universities of Vienna and Berlin, and was an officer in the World War, later devoting his time to the development and organization of agriculture in Austria. He has held the agricultural portfolio in three successive Cabinets from 1931 to date. Dr. Jakoncig is the sole representative of the Heimwehr in the Cabinet; Herr Winkler and Herr Bachinger represent the Farmers' party; Dr. Ach is a non-political appointee; while the other Ministers belong to the Christian Socialist party. The new Cabinet may be described as a Right coalition.

One of the immediate tasks facing Dr. Dollfuss is action on the proposed transfer moratorium on all foreign debts (except the League of Nations loan), which is generally regarded as inevitable unless the League of Nations provides a new loan. The finance committee of the League has twice recommended such a loan during recent months, but the leading powers, led by France, have as yet not acted on the recommendation. The external service on the Austrian national debt requires annually 140,000,000 schillings for interest and sinking fund; on debts of provinces and communes 38,000,000; bank debts (without the Creditanstalt) 9,000,000; and industrial debts 25,000,000—a total of 212,000,000 schillings, or about $29,600,000.

Mgr. Ignatz Seipel, former Chancellor, was reported on June 14 to be so seriously ill at a Catholic cloister in a suburb of Vienna that the last sacrament had been administered to him.

CLOSING IN THE ZUIDER ZEE

The Zuider Zee, a familiar landmark on all maps of Europe for centuries, became a thing of the past on May 28, when the last gap was closed in the eighteen-mile dike connecting Wieringen with Friesland. The Zuider Zee thus became an inland lake, as it was before the North Sea swept over Holland 600 years ago. The completion of the dike makes it possible to reclaim 500,000 acres now under water, leaving as a lake, to be known as Ijsselmeer, only a quarter of the Zuider Zee's present expanse. The reclamation project will convert some of the small picturesque fishing vilages, like Marken and Volendam, into inland farming communities.

Italy Demands a Place in the Sun

By William E. Lingelbach
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Mussolini and the Grand Fascist Council in May again vigorously proclaimed the need of treaty revision. The council, according to the published report, reaffirmed its conviction that it was necessary "to revise within the framework of the League of Nations the clauses of those peace treaties which contain in themselves the grounds of unrest among the nations, and consequently of eventual war." At the same time the government has let it be understood that Italy will not take the initiative in treaty revision, but will await events. Furthermore, if one can judge by the utterances of the Fascist press as printed in the *Popolo d'Italia* and the *Giornale d'Italia,* there is reason to think that the constant references to treaty revision in general are being used by the Italians to induce certain powers, especially France, to make modifications in the status quo in Africa.

In an address before the Deputies on May 17, Foreign Minister Grandi drew attention to the special claims of Italy in that continent, referring to it as "pre-eminently the sphere wherein Italy claims a right to a territorial redistribution upon the first available opportunity, and wherein she proposes to employ the energies of her surplus population and to fulfill her destiny as a civilizing power." "If," Grandi added, "at the close of the war, Italy's allies neglected her in the distribution of the mandates, Italy must now labor all the harder to make known the real and beneficial forces that she can exert in the colonial field in the interests of civilization." The regions of Italy's special interests appear clearly in the frequent references to the mandates over the former German colonies, to the possible exchange of Portuguese possessions, to Spanish talk of leaving Morocco and, most significant of all, to the status of Abyssinia. In the meantime negotiations with France looking toward a readjustment of the African situation more favorable to Italy are, according to the press, making reasonable progress.

On the question of naval disarmament, though the negotiations have not gone very far, Mussolini has ordered that no new building program be submitted so long as there is a possibility of agreement or while the Geneva conference is at work. Nevertheless, both the Minister of Marine and the Air Minister in their addresses to the Deputies elaborated statistical details to prove the great superiority of the armaments of France over those of Italy. In the field of aviation, especially, General Balbo showed that France spent annually more than four times as much.

Mussolini acted with his usual promptness when the crash of the plane Justice for Hungary resulted in the death of Hungary's two most famous flyers, just as the delegations were arriving for the international congress of aviators in Rome. He expressed his condolence by a substantial gift to the families of the aviators, ordered the erection of a memorial shaft in their honor and sent a brand-new Italian plane to Budapest with the same name conspicuously painted on the wings, thus showing

spectacular recognition of Hungary's dissatisfaction with the treaties. This may account for the stubborn opposition of the French to the Italian proposal for the freedom of airports which received the support of all the other delegations, as did the demand upon governments for official aid in the establishment of sea routes.

Italy has continued to feel the effects of the world depression; unemployment has increased slightly and trade has fallen off. On the other hand, the government's policy of reducing the import surplus continues to operate successfully. Statistics for the first four months of the year show a decline in this connection of $11,-700,000, that is, a reduction for the present year of nearly 23 per cent. The gold holdings of the Italian National Bank have been growing steadily and the reserve ratio now stands at 40.57, without counting what are often spoken of as equivalent reserves, such as treasury bonds, certificates and notes of foreign banks, which aggregate a total of nearly $78,900,000. If these items were included, along with about $89,420,000 in gold deposited in England during the war, the reserve ratio would be raised to 67 per cent, putting the Italian gold standard in an unusually strong position. Despite this, the budget committee's report made public on May 2 envisages a deficit of $75,000,000 for the coming year. While appealing for economy the Minister of Corporations denounced the national tariff barriers as a principal cause of the world's economic dilemma.

Viewing the world depression from an entirely different angle, Pope Pius XI, on May 18, issued another encyclical on the subject. Referring to his *Quadragesimo Anno,* he declared that "no leader in public economy, no power of organization will ever be able to bring social conditions to a peaceful solution unless first in the field of economics itself moral law, based on God and conscience, be made to triumph." The Pope again drew attention to the present universality of distress, to the control of the wealth of nations by relatively few persons and the dangers of discontent and of atheism spreading among the masses. A week of prayer and penance to supplement the practical suggestions of the earlier encyclical was ordered for June 6.

On May 2 the long trial of the members of the Mafia, which has been going on for three months in Sicily, was brought to an end by sentencing 244 men and women to long terms of imprisonment. Altogether more than 1,000 persons have already been dealt with, and it is confidently expected that this will end the régime of crime and terror in the island.

CATALAN HOME RULE

The development of outstanding importance in Spain during May was the progress toward the solution of the Catalan separatist difficulty. With the reassembling of the Cortes late in April, the question quickly assumed alarming proportions, the controversy both in and outside the Cortes becoming one of the most intense and dangerous that the republic has had to face. While the commission of the Cortes and the leaders were studying the Catalan Statute hundreds of newspaper articles, addresses and memorials by associations of business men and other organizations appeared. In most of these, two things stood out clearly—vigorous opposition to national dismemberment and a reasonable spirit of compromise even among the Catalans.

"Catalonian autonomy," declared Miguel Unamuno, "would be an irreparable injury to Spain, a step toward complete separation and an opportunity for radicalism." In an unexpectedly vigorous warning to Catalan extremists, Alejandro Lerroux, the opposition leader and head of the Socialist party, declared that national unity must be preserved. The statement was the more significant because it came upon the heels of a de-

fiant announcement by Largo Caballero, Minister of Labor, that Catalonia could not have the Statute or even the moderate settlement advocated by the commission of the Cortes. On the other hand, the extremists among the Catalans were defiantly insisting on the unamended Statute, and the recognition of Catalonia as an "autonomous State" and not merely as an "autonomous region." On May 8, President Francisco Macia of the Catalan Generalidad assembled the town councils of the four Catalonian provinces in Barcelona for the organization of passive resistance and civil disobedience if modifications of the Statute at Madrid should prove too sweeping.

Fortunately, Prime Minister Azana is a practical statesman. After assuring himself of the support of the Cortes, he reminded the nation that in the days of Spain's greatest glory, Catalonia had greater autonomy than even the Statute demands, and announced that Spain was to be a Federal State, loosely knit together with effective State governments, limited by Federal control. "The government recognizes in principle," he said, "Catalonia's right to collect taxes." According to him, local questions will be relegated to Catalan authorities, but the central government will remain as the final arbiter; education is to be the function of the Generalidad; primary and high schools of Catalonia are to be maintained by the Federal Government, the University of Barcelona is to be bi-lingual, while the administration of justice concerning land and all courts of appeal are to be national. Thus while the principle of the separation of Catalonia is denied—foreign relations, naval and military affairs, and in certain respects judicial matters being left to the Federal Government—the arrangement allocates to Catalonia the right to employ the Catalan tongue, limited direction of education, economic and social life and the right to police its own territory. The plan was received with great enthusiasm, Azana himself replying in Catalan to the enthusiastic congratulations of several Catalan deputies.

In the meantime, the government has also been dealing with the question of army and agrarian reform, budgetary and financial problems, an extensive program of public works to deal with increasing unemployment, and the troublesome activities of the radicals.

On May 3 the government brought forward a new measure to modernize the army further by radically changing the methods of selection and promotion of officers. In presenting the bill to the Cortes, the Premier, who is also Minister of War, said it provided for rigid examinations, based on study at the military academy, for promotion to all commissioned officers' ranks. Even colonels who wish to become generals will have to pass the examinations. The new Spanish Republic needs a small, economic, efficient fighting force and not a "big, expensive, over-officered army which is accustomed to high living and is valueless in wartime," he declared. The number of officers had already been reduced from 22,000 to 12,000, which seems reasonable for an army of 150,000. On the other hand, the government wants it to be understood that the army will not be neglected, despite the constitutional provision that the Spanish Republic will not declare war without the consent of the League of Nations, and on May 15 an order appeared for the mobilization of the entire army for the September manoeuvres.

Communists and other radicals have continued their tactics of sabotage, strikes and riot. On May 12 a valuable library of 60,000 books, including hundreds of old manuscripts from convents and monasteries, was burned at Valencia. A week later a large cache of bombs and 500 pounds of dynamite were discovered as a part of a Red

plot at Seville. Under the Defense of the Republic act several hundred Reds were arrested in Madrid and the provinces, and the general strike scheduled by the "Big Union" of Communists and anarchists for Sunday, May 29, throughout southern Spain was broken up. Nevertheless most of the industries of Seville were shut down. In the meantime, sixty municipal judges who had been lax in enforcing the law were dismissed, and Señorita Kent, the woman Minister of Prisons, was forced to resign because of the sensational jail-break at Puerto de Santa Maria of a score or more of political prisoners. According to the Madrid press, the Señorita was too "soft." Notwithstanding the vigilance of the government, the number of strikes, especially in Andalusia, has continued to grow, conflict between troops and the rioters occurring almost daily during the month.

On May 5 a special bill was introduced in the Cortes providing for the dissolution of the Compañia Transatlantica. The government has been paying the company's annual deficit for some years. Gross mismanagement is charged and the seizure of all boats constructed since 1925 through the aid of subsidies has been ordered. The government has assumed all liabilities and suspended the service of the company's six ocean liners.

A NEW PORTUGUESE CONSTITUTION

On May 28 the text of the proposed Portuguese Constitution was made public with a view to its study and discussion by the people before its submission to a popular referendum. It provides for a President elected by the people for a term of seven years and a Cabinet responsible to him rather than to the National Assembly. The Assembly, which is to consist of ninety Deputies, is to be elected for a term of four years, one half by direct vote of the people, the other half by different administrative bodies. General Carmona, the present dictator, is designated as the first President, and there is provision that the new Constitution will go into effect upon its approval by the nation.

The Fate of the Danubian States

By FREDERIC A. OGG
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THE discussion of the Danubian problem during the past month has disclosed only one point on which there is substantial agreement, and that is that conditions are steadily growing worse. At least half a dozen widely divergent major plans of relief have been propounded from various quarters, but with little present prospect that any one of them will be adopted. A conference of the Little Entente powers—Czechoslovakia, Yugoslavia and Rumania—at Belgrade on May 13-15 issued a communiqué that deplored the prevailing tendency toward a supernationalism under which each State makes economic decisions without consideration for the interests of others. The conference affirmed its readiness to cooperate in any proposed solution, but suggested no remedies except financial assistance to the distressed countries.

The only ray of hope comes from the renewed activity of the League of Nations. Early in May the economic section of the League Secretariat is-

sued a report on the foreign trade of the five Danubian countries showing that in 1928—selected as the last "normal" year—35 per cent of the exports of these countries were sold within the group and that 30 per cent of their imports originated within it. If facts and figures are influential in politics, Geneva observers say, the information brought to light will work strongly for a customs union of these States, with Bulgaria included, and will also have weight in showing that among outsiders Great Britain and France have commercial interests that are negligible, while those of Germany, Poland, Italy and Switzerland, in the order named, are extremely important. Not only has this valuable document become available but the Financial Committee of the League has reorganized its delegation in the mixed commission to consider the Danubian problem. On May 30 the commission, which includes Norman H. Davis, assembled in Paris—for the fourth time in less than the same number of months—to renew its labors. Although the atmosphere was again one of defeatism, the increasingly critical nature of the situation—with the imminent financial collapse of Austria as its gloomiest aspect—gave hope that something definite would be done.

THE MENACE OF DANZIG

Throughout May rumors persisted that a Polish coup was about to take place at Danzig, admittedly one of the danger spots of post-war Europe. It was known that certain nationalist elements cherished plans for the seizure of both the Free City and East Prussia, and that the German Government, while giving no evidence of believing that the Polish authorities were fostering hostile moves, had warned Warsaw officials several times that the threats of the nationalists were endangering peaceful relations between the two countries. Moreover, sections of the Polish press have been urging Marshal Pilsudski, the dictator, to defy the world and make an end of an impossible situation by annexing Danzig and East Prussia.

When the Nazi storm troops were dissolved in Germany, but not in Danzig, it was feared for a time that the Polish malcontents had found their pretext for a coup. Rumors that Adolf Hitler would make Danzig his headquarters, however, proved groundless, while the Nazis suspended their demonstrations and stopped wearing their uniforms in the Free City. Another source of apprehension was the withdrawal by the Danzig Senate of the right of Polish war vessels, on and after May 1, to anchor in the harbor of Danzig. This right had been exercised by agreement for several years, but the Senate's action was sustained by the Danzig Commissioner of the League of Nations as well as by the World Court. As the validity of the decree was challenged by the Warsaw Government, it was feared that the navy would refuse to obey it and thereby precipitate a crisis. Nothing of the sort happened, though unscrupulous newspapers spread a groundless and mischievous rumor that a Polish coup in the Free City had been averted on the night of May 1 by a hair's breadth.

After hearing a report by Chancellor Bruening the Foreign Affairs Committee of the Reichstag, on May 24, decided to request the government to notify Poland that any attempt by raiders against the sovereignty of the Free City would be considered an affront to Germany. Polish officials continued to deny that Poland had any plan to occupy Danzig, adding that an adventure affecting the Free City would manifestly be foolhardy, because it would raise anew the entire question of the Corridor and imperil the position won by the new Polish free port of Gdynia. Responsible circles in Warsaw regard the charges of Polish plots as merely manifestations of a nationalist intrigue against efforts to bring about a German-Polish rapprochement.

The victory of the Left in the French elections was deplored by all political elements in Poland except the Socialists, because of the fear that it would lead not only to further restrictions on French financial aid but to repudiation of the Polish alliance. The inclusion of Joseph Paul-Boncour in the new Herriot Cabinet, however, was reassuring.

RUMANIAN FINANCIAL DISTRESS

Alone among the States of Southeastern Europe, Rumania, until May, was able to meet her foreign financial obligations without restrictions on exchange. At that time, however, she reached a point where not only were such restrictions imposed but drastic steps became imperative to cover her budget deficit and take care of her commitments abroad. Plans were laid to obtain a French loan of $40,000,000 and to resort to an agrarian debt-conversion scheme which admittedly entailed the liquidation of most small provincial banks. But efforts to arrange the loan failed, and the Ministers of four foreign States, including Great Britain and France, protested against the conversion plan as dangerous to the leu, to the stabilization of which the four countries had contributed financially.

The result was a serious weakening of the position of the Jorga Government, the more so since the debt-conversion scheme was a proposal of Finance Minister Argetoianu, "strong man" of the Cabinet. On May 31 the Premier and his colleagues resigned, ostensibly because of their failure to negotiate a loan. The retiring scholar-politician had held the Premiership since April, 1931, though beset by difficulties and strife which, especially some four months ago, threatened to upset him.

In the hope of securing a concentration government which would meet with more success in the matter of the loan, the King turned to M. Titulescu, one of his warmest supporters, present Rumanian Ambassador to London and a prominent figure in the League of Nations Assembly. When M. Titulescu's efforts proved unsuccessful the task was entrusted on June 4 to former Premier Voida-Voivode, principal leader of the National Peasant party since the retirement of ex-Premier Julius Maniu. A Voida-Voivode Cabinet was duly formed, but escaped facing Parliament by obtaining a decree dissolving that body on June 6.

HUNGARY'S ECONOMIC PLIGHT

In a bulletin issued on May 14, the Institute of International Finance, conducted by the Investment Bankers Association of America in conjunction with New York University, urged the formation of a general protective committee for holders of Hungarian Government external bonds. When the various loans in which American investors are interested were made, prices of agricultural products were higher than today, world trade was expanding, the Hungarian national income was growing, and the entire external debt service absorbed only about 7 per cent of the estimated national income. An unfavorable trade balance, the withdrawal of foreign credits, and inability to borrow abroad, however, have rendered the country totally unable to remit foreign exchange for the payment of principal and interest on the outstanding external debt, except, chiefly, on a League of Nations loan of 1924. Interest and amortization payments require $50,196,300 annually, which has to be met chiefly by an excess of merchandise exports, but despite a sharp decrease of imports, the excess of exports amounted to only $15,500,000 in 1930 and $4,400,000 in 1931.

YUGOSLAV UNREST

The palace of King Alexander and five other strategic points in Belgrade were bombed on May 30, but without great damage. The nature of the missiles indicated that they were

for purposes of demonstration or warning. The spread of communism, particularly among younger officers in the army, however, has attracted fresh attention, and the semi-official newspaper *Vremè* has started a campaign of patriotism with the slogan "Yugoslavia, Awake!"

On a charge of conspiracy against the existing political régime, more than a dozen university professors and other intellectuals were arrested in Belgrade late in May. Hostility to the ruling dynasty is increasing rapidly; Serb-Croat relations were never more strained than they are today; and observers freely predict not only an early fall of the Marinkovitch Cabinet, but a collapse of the dynasty as well.

GREEK CABINET UPSETS

After nearly four years in office, Premier Venizelos of Greece announced the resignation of his Cabinet on May 21 and recommended to President Zaimis the substitution of a coalition government under Alexander Papanastasiou and General Kondylis. Because of the increasingly critical financial and economic situation of the republic, and the unwillingness of Parliament to pass the measures the Premier advocated, his position had become untenable; indeed, he had offered to resign a month earlier.

President Zaimis on May 25 invited M. Papanastasiou, Opposition leader, to form a coalition Cabinet embracing representatives of all parties except the Royalists, and on the following day the plan was carried out. M. Venizelos declined to accept a portfolio, but agreed to the participation of his Liberal party. The settling of a serious railway strike seemed somewhat to relieve the immediate situation, but the problem of a drastic reduction of national expenditures remained, and in the background lurked the danger of a coup by General Theodorus Pangalos, the former dictator, who, however, on June 1 was, with eleven of his principal supporters, banished for a period of five months.

The Papanastasiou Cabinet was short-lived and really never held office except tentatively. On the ground that conditions attached by ex-Premier Venizelos made the adherence of his party meaningless, the Cabinet resigned on June 3, and within two days Venizelos was again at the head of a reconstructed government.

Sweden's Losses in Kreuger Crash

By RALPH THOMPSON

INVESTIGATION by the official Swedish board of administration into the affairs of Ivar Kreuger, who killed himself in Paris on March 12, reveals that he had personal debts of $93,500,000 in addition to direct liabilities of $74,800,000, and that fraudulent manipulation of the Kreuger & Toll books had been carried on for at least eight years. The board of administration therefore recommended ending the moratorium and steps toward declaring the company bankrupt. On May 24 the City Court of Stockholm granted bankruptcy petitions to Kreuger & Toll and two associated companies. As for the Swedish Match Company, which had been held to be in a comparatively sound condition, the Swedish Government on June 1 granted it a three months' moratorium in which to reconstruct its finances under the supervision of a board of three administrators.

Sweden itself has not been hit so hard as might have been at first suspected. Speaking at the opening of the annual Gothenburg trade fair on May 23, Crown Prince Gustav Adolf reminded his listeners that the industries affected by the Kreuger crash employ only 2½ per cent of the nation's industrial workers, and that the income derived by Swedes from stocks and bonds of the various Kreuger companies was not over 43,500,000 kronor (less than $12,000,000 at par), or two-thirds of 1 per cent of the national income.

Yet Sweden has by no means emerged whole from the débâcle, which, coming as it does at a time of general economic strain, must have far-reaching effects. Professor Eli Hecksher of Stockholm University has estimated that about 30 per cent of the Kreuger & Toll participating debentures, 41 per cent of Kreuger & Toll stock and 40 per cent of the Swedish Match Company stock were in the hands of Swedish investors. In order to maintain the liquidity of the Skandinaviska Kreditaktiebolaget, one of the country's largest banks, which had advanced considerable credit to Kreuger, the government was forced to take over some of its commitments. In April Finance Minister Felix Hamrin had been authorized by the King's Council to appoint a committee of five experts to make recommendations for revision of the existing banking laws, particularly in regard to the right of banks to acquire industrial stocks and to give credit with such shares as security.

THE MEMEL CONTROVERSY

Following the election of an overwhelming autonomist-German majority to the Memel Legislature early in May, Edouard Simaitis, who was appointed president of the Directorate after Otto Boettcher had been deposed by ex-Governor Merkys, himself resigned on May 26. The new Governor, Mr. Gylys, thereupon appointed an all-German Directorate on June 6, with Ottmar Schreiber, a native of East Prussia, as the new president. The two other members of the Directorate are Germans born in Memel. According to reports, these appointments mark the end of the conflict for actual if not nominal control of Memel, with the German elements successful over their Lithuanian rivals. There still remains the case before the World Court, however, which apparently will be heard during July.

ESTONIAN ELECTIONS

The results of the elections held from May 21 to May 23 for the fifth Estonian State Assembly, or Parliament, were as follows:

Parties.	Representation.
Agrarian	42
Centre	23
Socialist	22
Left	5
German	3
Russian	5
	100

The Agrarian party, which increased its representation by four members as a result of the election, represents the interests of farmers and landowners and favors moderate social and democratic reforms. The Centre, which lost two seats, is a coalition of the Nationalist, the Christian Nationalist and the Workers parties. Three seats were lost by the Socialists and a corresponding number were gained by the Russian party, representing the Russian minority in Estonia, which seeks cultural autonomy.

FINNISH PEASANTS PROTEST

Farmers in the Nivala district of Northern Finland, who for some time had attempted to induce the Cabinet and Parliament to take measures to alleviate their economic distress, armed themselves on June 14, and in a body of about 1,000 began "military" operations with an eye to forcing their demands upon the government. Local authorities were forced to summon troops to disperse the excited peasants.

Soviet Russia's Rising War Fever

By EDGAR S. FURNISS
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THE increasing tension of Soviet relations with Japan has produced an outburst of war spirit throughout Russia reminiscent of the earlier and more bellicose days of the Communist régime. Newspapers have launched a campaign of preparedness which embraces every citizen, and numerous semi-official organizations are lending their support. Thus, the Soviet Air League, an organization heretofore devoid of military affiliations, has become an adjunct of the Red Army, and its 12,000,000 members are being trained as reservists. In like manner, the combined trade unions of the country at their ninth All-Union Congress pledged their membership of 17,000,000 to military service and their organizations to the spread of preparedness among the nation's wage earners and peasants. May Day was turned into a grand military spectacle, with parades of the Soviet armed forces in the principal cities. The officials of the government and the leaders of the Communist party have aroused the people to a pitch of patriotic fervor seldom seen in a country not actually on a war footing.

All this is an abrupt contrast with the carefully nurtured atmosphere of peace which has characterized the Soviet policy since the triumph of the Stalin régime committed the Communist party to the policy of "building socialism in one country." During the past few years the tone of Soviet publications intended for domestic consumption, as well as the pronouncements of the Third International addressed to Communists throughout the world, have been noticeably moderate and restrained. At the same time the official Soviet attitude in all external affairs has been favorable to peace. The Union's spokesman at the League has laid down a policy of extreme pacifism, including not only complete disarmament of the nations for aggressive warfare but also abandonment of all national economic policies which might lead to conflicts. The Union has tried faithfully to give effect to these principles in her own dealings with other nations, first, by means of the neutrality treaties of 1929 with her western neighbors and with Turkey, and latterly through the projected non-aggression pacts of 1932, which, when completed, will involve these same nations and, eventually, France in an agreement with the Soviet Union to preserve the peace.

The present outburst of military spirit in Russia has revived the old question of the Soviet war power as a factor in the international affairs of the future. There has been no reason to doubt the sincerity of the Union's devotion to peace during the recent past, since this policy is in harmony with her domestic program. But it cannot be forgotten that communism is in essence a militant movement, dedicated to the destruction of the existing national organization of the world by forceful means. Its members would be renegades if they did not hold themselves bound, when the time is ripe, to spread their gospel with the sword. Those who interpret the Communist creed literally believe that the present phase of Soviet for-

eign policy is calculated merely to produce a breathing space in which to mature within Russia an overwhelming power to be unleashed on the day of the great crusade. Quite apart from these fears of ultimate world-wide revolution, however, the question of Soviet military power has immediate importance by reason of the precarious state of international relations in Europe and in Asia. The Red Army is a factor in the reckoning of statesmen with regard to the basic political problems of these areas, and especially those which arise out of the peace settlement in Europe. The territorial integrity of the new States of Eastern Europe, the future international alignment of the Central Powers, the political strategy of France with regard to the balance of opposing forces on the Continent are all concerned with the question of the military power of the Soviet Union and the use that is to be made of it.

Controversy has been rife between Soviet and foreign authorities regarding the actual size of Russia's military establishment. Soviet statistics place the man power of the Red Army at 562,000 and the total military expenditure of the Soviet Government at approximately $640,000,000 per year. On the basis of these figures it can be shown that the Union's army is smaller than the combined forces of her small western neighbors and that her military expenditure per capita is below that of other European States. But these comparisons leave out of account the territorial militia of the Soviet Union which constitutes a formidable addition to her war strength. The Soviet military organization of today follows the outlines of a plan developed by Trotsky when he was Commissar of War. Its basis is compulsory military service for all male citizens between the ages of 19 and 40 years. About 900,000 new recruits pass the physical examinations each year; one half are enrolled for a two-year period of training, the others are released for civilian service under arrangements that give them a certain amount of military experience. The 450,000 men called into active service are assigned in almost equal numbers to the Red Army and to the territorial militia. The former group are given a two-year full time period of service in the standing army; the latter return to work but are definitely organized in the militia in which they receive regular military instruction and attend annual manoeuvres. As a result the Soviet Union has a professional army of moderate size—the 562,000 referred to above—while the vast majority of the adult male population have had military training and are definitely organized for war purposes. Indeed, military training embraces an even larger proportion of the people than is defined by the compulsory service law, since women and children, as well as men, are given simple military instruction through informal organizations. No other modern nation has so comprehensive a system of military training.

In this military system the Red Army plays a peculiar rôle. It is a political arm of the Communist party as well as an agency of the government for war purposes. Recruits are in part selected on the basis of their political beliefs in order to make certain that a large fraction—at present one-half—of the soldiers are professed Communists. Similar tests are applied in the selection of officers who are chosen chiefly from the working classes. The army has its own educational system devoted in the main to the spread of Communist doctrine among the peasants and wage-earners as they pass through their period of active military service, but intended also to aid the government in its campaign against illiteracy. In Communist thinking a distinction is made between the obligations of the citizen to bear arms in the defense of his country and his membership in the Red Army; the latter is the privilege of the proletarian alone. The Red Army is conceived as an organ of the

revolutionary working class not only in Russia but throughout the world. Its basic loyalty, therefore, is to the Communist organization which knows no national boundaries.

The tension in the Far Eastern relations of the Soviet Union which has brought these military considerations to the fore is attributable in the main to three developments of the past few weeks. In the first place, within Japan there has arisen from the extreme military faction an open demand for the seizure of Vladivostok and the Soviet maritime provinces. Secondly, Japan's military strategy in Manchuria has brought her armed forces dangerously near the Soviet frontier, while the removal of army headquarters from Mukden to Harbin has lent support to the fear that Japan is preparing for further penetration northward. These two developments, taken together, have convinced the Soviet press that the Union is in grave danger of attack. Their suspicions are heightened by a third consideration, namely, the refusal of Japan to accept the Union's invitation to sign a non-aggression pact. On this point the Japanese Government has been evasive, the latest public statement—that of Premier Saito on June 2—expressing concern lest such a treaty between the two countries would "weaken the force of the Kellogg-Briand pact and cast a shadow on Japan's relations with every other State with which no non-aggression treaty existed." Japan has attempted to allay Soviet fears by repeated declarations of peaceful intent with respect to the Union. Premier Saito in the statement referred to gives unequivocal assurance that his government has in view no annexation of territory, no interference with Soviet rights in the Chinese Eastern Railroad and no acquisition of special economic privileges that would violate the principle of the Open Door.

To the foreign observer it would seem incredible that the governments of the two countries should permit war to break out between them. The real danger lies not in the intentions of the governments but in the explosive conditions surrounding their operations in the Far East. The advance of the Japanese army in Manchuria offers the White Russian organizations of that country opportunity to attack the Union in circumstances such as might cause the blame to be thrown on Japan. On the other hand, the concentration of Soviet troops on the border is an encouragement to the Manchurian guerrilla bands which are opposing the Japanese advance. Because the situation is thus necessarily fraught with danger, the present policy of the Soviet authorities in stirring up the warlike emotions of the Russian people is extremely disquieting.

Those who believe that the Soviet Government must preserve the peace at all costs during this period of internal economic reconstruction will find another interpretation of these militaristic developments in Russia, namely, the desire to deflect the attention of the people from the failures and shortcomings of the Five-Year Plan. The collapse of certain key industries which had been exhibited as the exemplar of the Communist program was noted in these pages a month ago. Attempts to put these industries into operation in accordance with the schedules laid out for them by the Planning Commission are as yet unsuccessful. During May new difficulties arose in the agrarian branch of the program. The Spring sowing fell short of expectations, so much so that *Izvestia,* the official organ of the government, was moved to indict the entire organization of collective and State farms on the grounds of intolerable inefficiency. Final figures for the foreign trade of 1931 are also disconcerting in view of the Union's need for balances with which to meet heavy out-payments falling due this year. An adverse trade balance of nearly $150,000,000 resulting from the drastic price decline of Russia's principal export commodities

has greatly increased the burden under which the Union labors in her attempt to meet maturing obligations without interfering with her ability to import indispensable materials. These factors all tend to undermine the prospects of success in this final year of the Five-Year program.

A number of important decrees recently promulgated indicate the pressure under which the Soviet authorities are laboring to preserve the loyalty and arouse the individual interest of the people. A decree of May 7 reduces by one-fifth the total grain collections of the government for the present year, and gives freedom to the collective farms and individual peasants to sell their surplus grain in the open market without regard to the government's fixed price. This new policy is intended not only to pacify the peasant population but also to stimulate the productivity of small-scale manufacture among the craftsmen of the cities, who are now permitted to exchange their products directly for foodstuffs. The dearth of household articles on the market has been one of the chief deterrents to efficient cultivation of the farms; conversely, the food scarcity has been a serious menace to the morale of the industrial population. This decree was followed three days later by another which removed the previous prohibition on the sale of cattle and meat products in the open markets, thus giving the peasant free trade in another of his principal commodities. A third decree ended the food ration on milk, eggs, tea and other goods in universal demand. Still another provided that certain articles, such as shoes and clothing, formerly sold only in special stores or requiring for their purchase special permission from the government, should be on open sale hereafter to all comers.

These new policies are all departures from the strict principles of the Communist system which have made monopoly of the market a pivot of the reconstruction program. Their effect is to enlarge the area within which the motives of individual self-interest may operate, thus slowing down the rate of progress toward the complete socialistic structure which is the objective of present Soviet policy.

Turkish Government in Business

By ALBERT H. LYBYER

Professor of History, University of Illinois; Current History Associate

PREMIER ISMET PASHA and Foreign Minister Tewfik Rushtu Bey early in May returned from their visit to Russia. The results of the trip are expected to further economic cooperation between Turkey and the Soviet Union. To begin with, Russia is to sell $8,000,000 worth of machinery to Turkey and is to receive, over a twenty-year period, payment in Turkish raw materials.

International barter of this sort enters more and more into the thought of Turkish statesmen. It is planned to place foreign trade under strict control so that the value of exports and imports will balance. An attempt is to be made to exchange particular commodities—for instance, tobacco for sugar, tea and coffee. Part of the machinery which Turkey is purchasing from Russia will be used to establish cotton factories in Anatolia, from which cloth may be obtained to exchange for foreign products. The central bank of Turkey will administer

the exchange of products, taking over the control enforced since last November, which has caused a serious decline in trade between the United States and Turkey. The government already has announced the creation of a State monopoly of the importation of sugar and coffee. All foreign exchange will be sold through the State Bank.

The Premier and Foreign Minister were guests of the Italian Government in Rome on May 22. During their stay the treaty of friendship of 1928 was renewed, by which the two nations bind themselves to mutual neutrality, arbitration and conciliation. It was expected that commercial agreements would be drawn up to compensate for the arrangements with Russia.

Professor Malche of the University of Berne has been engaged to assist in reorganizing the University of Istanbul as part of the plan to place all public instruction on a modern scientific basis, excluding the old Islamic influences. The government intends to create a university at Ankara, but that must await economic improvement. A law school has already been established there to train Turkish judges in accordance with the ideas of the new Turkey.

Dr. Paul Monroe, director of the International Institute of Teachers College, Columbia University, was on May 20 appointed president of Robert College, Istanbul, and of Constantinople Woman's College. He succeeds Dr. Caleb F. Gates, who has been president since 1903 and has long been a power in Turkish affairs as well as an outstanding figure in American relations with Turkey.

Service in the Turkish Army henceforth is to be for eighteen months, in the navy for three years and in aviation for two years, according to a recent report made to the League of Nations. The gendarmerie and the customs service are to be organized on a two and one-half year basis. The army is to number between 120,000 and 150,000 men; the annual contingent is expected to total about 175,000, although only 100,000 will be trained. The gendarmerie includes about 40,000 men and 1,200 officers. For the army the annual budget approximates $22,000,000, for the navy $8,000,000 and for aviation $1,750,000.

SYRIAN POLITICS

The Lebanese Constitution was suspended in May, after being in operation ten years and undergoing four revisions by the mandatory power. The system of government in the little State proved increasingly unworkable, largely because of multiplicity of officials and excessive costs. Much discontent had arisen lately, when the Constitution granted to the Syrian State proved more liberal than that of the Lebanon, which had been steadfastly loyal to France. On the eve of another Presidential election the French High Commissioner suspended the Constitution and made M. Debbas, the President, a kind of dictator, to be assisted by a council of directors nominated by himself.

In the Syrian States belated elections at Damascus, Duma and Hama resulted in the choice of nine Nationalists and six Moderates, making a total of fifty-four Moderates and fifteen Nationalists in the Chamber of Deputies. It is now hoped by the French authorities that Syria will work loyally with the mandatory power, so that in the near future a treaty can be concluded, substituting for the mandate a measure of independence, such, perhaps, as is enjoyed by Tunis, Morocco and Annam. A recent report to the French Parliament said: "The lot of Syria is in the hands of the Syrians. Upon their spirit of collaboration with France depends the rapidity of their emancipation."

EGYPTIAN ECONOMICS

Some time ago the Egyptian Government proposed to pay interest on its foreign debts not in gold but on

the basis of the present value of the pound sterling. The matter was referred to a mixed court, but the British, French and Italian Governments have refused the request of Egypt to negotiate the basis of payment, expressing willingness to agree to new taxation if the coupons must be paid in gold. The amount of money involved is about $8,000,000 a year.

The Egyptian Government ceased selling cotton on May 9. It is believed to own about 400,000 bales, while private holders have at Alexandria about 600,000 bales. In spite of the low price of cotton, the country is said not to show much economic distress.

A bomb exploded on the railway near Tema on May 6 a few minutes before a train carrying Premier Sidky Pasha was due to pass there.

IRAQ AND THE LEAGUE

The Commission on Permanent Mandates of the League of Nations has drawn up a list of guarantees which Iraq must accept before admission to the League. The League Council approved the plan on May 19, and it is expected that when the Assembly meets in September Iraq will sign the declaration and will be admitted formally as a League member.

Iraq will be expected to guarantee the protection of minorities, whether racial, linguistic or religious; the rights of foreigners before its courts; freedom of conscience and worship, and free activities of religious missions; debts incurred during the mandatory régime; rights acquired during that time; maintenance of international conventions; the right of League members to refer to the World Court differences of opinion on these guarantees. After Iraq has accepted these responsibilities, British control is to be relinquished. The French representative on the Council expressed regret that the Kurdish minority had not been given administrative autonomy.

French opinion also drew attention to the military clauses of the Anglo-Iraqi Treaty. The important provisions are that for twenty-five years Iraq is to permit Great Britain to maintain airports where British troops will be kept. The French are asking how this can be reconciled with the complete independence of the country. It is not likely, however, that they will make an issue of British military rights in Iraq, since such objections might prove very awkward when arrangements are made for Syria.

The British have tried to justify their position by the fact that Bagdad is becoming rapidly an important centre for aerial communication. British, German, French and Dutch lines already terminate or call there. Accordingly, the interests of many nations are concerned with the maintenance of absolute security for aerial navigation over Iraq. Not over 2,000 of the Royal Air Force will be present, while 1,250 guards will be Iraqis.

Certain clauses of the agreement drawn up by the commission all but impair the independence of the country. The King of Iraq promises, in case of actual or imminent war, to aid Great Britain as far as possible. A permanent British military mission is to reside in the country, while Great Britain will furnish arms, munitions, equipment, ships and airplanes of the same type as are used by the British Army. Moreover, the 8,000 police of Iraq are to be under British control and instruction. An important feature of the situation is that the Iraqi Army of 10,000 men and the police force are recruited voluntarily, mostly from the Kurdish and Assyrian minorities.

All members of the League are granted most-favored nation treatment for ten years. The present judicial system is to be maintained during that period, but subsequently foreigners will become subject to the native courts. The declaration can be amended by an agreement between Iraq and a majority of the Council.

Military Terrorism in Japan

By HAROLD S. QUIGLEY
Professor of Political Science, University of Minnesota; Current History Associate

THE death of Premier Inukai of Japan on May 15 was not, in itself, a significant event. Weighted with 77 years, 43 of them spent as a member of the Diet, Inukai had lost his earlier liberalism, and he may be counted fortunate to have been chosen for a martyr's death. He has at least been saved further ignominy as the tool of arbitrary militarism.

But the death of a Premier at the hands of men in the uniforms of the Japanese army and navy is highly significant. The assassins entered Inukai's home, dismissed his family and servants and guards, and then, holding the old man by the shoulder, shot him down like a dog, without heeding his request for a parley. Such a deed is an event of even greater importance than any of the murders by thugs and peasant youths that have preceded it, though Hamaguchi, Inouye and Dan were more valuable men. Although the assassins were only sub-lieutenants and cadets, they were putting into practice, in terms they understood, the contempt inspired in them by their military superiors for the "politician." It is that contempt, shared by the civil as well as the military bureaucrats of Japan and embodied even in the Constitution—which, while setting up a people's assembly, assigns to it no power beyond whetting the anger and delaying the programs of the executive services—that is essentially responsible for the failure of party politicians to be anything but politicians.

The criminals gave themselves up, and Minister of War Araki promised the Diet that they would be tried and punished, and that a determined effort would be made to prevent further political action by members of the military services. Apparently the "trial" is to be by court martial, whereas the crime clearly was one for the civilian courts. When last October a plot of younger officers to set up a dictatorship was discovered and trials took place by court martial, the accused were released and restored to their commands. Since Araki himself is a leader of the "patriotic" society, Kokusuikai, which is notable for similar acts of terrorism, he is hardly the one to punish assassins. It may be noted in this connection that a district court imposed the death penalty upon Tomeo Sagoya, who shot former Premier Hamaguchi in November, 1930.

Even before the incidents of May 15, which included the throwing of bombs at the residence of Count Makino, Lord Keeper of the Privy Seal and close adviser of the Emperor, and at the Bank of Japan and the Mitsubishi Bank, pistol shots at the metropolitan police station, and other similar gestures, discussion was rife in Japan concerning an apparent trend toward fascism. Such a trend was especially noticeable in the military Left group called the Younger Officers' Association, and in the ranks of labor, where a cleavage into a National Socialist combination on the Right and a Masses party on the Left, had occurred. While no open collaboration was observable between the young officers and the National Socialists, the demands of the former

were anti-capitalist and pro-labor, particularly peasant labor. The majority of the younger officers are the sons of farmers, and realize the plight into which a feudal capitalism has led their families. Both the military and the labor-farmer "fascists" aim to establish a non-parliamentary government based upon exaltation of nationalism and devotion to the Emperor.

Upon the death of Inukai, Finance Minister Takahashi became acting Premier, and jockeying began between the military and naval authorities, who demanded a non-party Cabinet, and the parties which opposed the return of "transcendentalism," as non-party government is termed in Japan. Prince Saionji, aged surviving *genro*, or elder statesman, came to Tokyo. Consideration was given to the appointment of Kisaburo Suzuki, who succeeded Inukai as president of the Seiyukai, the more conservative of the major parties, Baron Hiranuma, president of the Privy Council, and Count Gombei Yamamoto, a former Premier and known as one of the "quasi-genro" or "near elders" of the State. Ultimately the choice for the Premiership fell upon Admiral Baron Saito, recently Governor General of Korea, who, although unwell and 73 years old, accepted the unenviable post. Saito is counted a liberal, and his Cabinet will last probably only until the army can organize its forces behind a more aggressive exponent of its policies.

Count Uchida, now president of the South Manchuria Railway, was offered the portfolio of Foreign Minister but declined. The Premier assumed the duties temporarily. Other posts went to General Araki, Minister of War; Admiral Okada, Navy Minister and Mr. Takahashi, Finance. Three posts went to Seiyukai men, two to the Minseito.

The Diet convened in extraordinary session on May 23, only to adjourn until June 1. The principal business was the voting of funds ($61,161,700) for the Manchurian operations, which already have cost $62,000,000, the new appropriation to be raised through a domestic loan. On June 3, 32,000 farmers presented a petition asking the Diet to provide $16,405,000 to aid them in migrating to Manchuria, also to authorize a three-year moratorium on private debts and a subsidy for the purchase of fertilizer. Investigation showed that farmers in certain prefectures were reduced to near-famine conditions, being compelled to subsist on cattle food.

JAPAN'S FOREIGN POLICY

Premier Saito, in a statement on foreign affairs early in June, forecast no modifications of policy. Japan, he said, had regarded the attitude of Russia toward her as entirely proper, but was at present less confident and wished that the concentration of Soviet troops in Eastern Siberia would be discontinued. Neither confiscation of any foreign rights in Manchuria nor annexation was in contemplation. Recognition of Manchukuo would not be accorded until action could be taken on legal bases. The Open Door was being firmly maintained. But the full import of Japan's disregard of China's position appeared in these words: "If the toleration afforded to bandits by the present unsettled state of political affairs in China should be ended through recognition by the League of Nations of the unsubstantial nature of the Chinese Government's claims in this region, military operations in Manchuria probably would come to a speedy and successful end." In the Diet, General Araki, Minister of War, again referred to the importance of anticipated League action in September.

MANCHURIAN AFFAIRS

A "speedy and successful end" of military operations in Manchuria seemed very visionary when Admiral

Saito spoke. The first report of the League's Manchurian Commission stated that Japan had 22,400 soldiers there. Shortly after, a division of 24,000 men was transferred to Manchuria from Shanghai and further expeditions were in prospect. The steady incursion of Japanese forces into the region east of Hailin, which in February last Japan had agreed to leave untouched, was increasing the tension in Russia and inducing the calling of certain classes of reservists to the colors for manoeuvres. (See also Professor Furniss's article on pages 503-506 of this magazine). Although on June 4 Araki told the Diet in executive session that there was no serious friction between Japan and Russia, the apprehensions in Russia were set forth in the *Red Star,* Soviet army organ, on June 1, as based upon: (1) The growth of militaristic jingoism in Japan; (2) the increasingly aggressive tone of "rightist" newspapers; (3) military movements closer to Siberia and the transfer of headquarters to Harbin, and (4) the continued refusal of Japan to sign a nonaggression pact. (The Japanese explanation of this refusal was that the Kellogg-Briand pact made a special pact unnecessary.) Said the *Red Star:* "We must emphasize with all frankness and in all seriousness that peaceable declarations fade before the limitless, bloody agitation being conducted by the incendiaries of war in the Far East."

Japan did not charge Russia with supplying arms to the Manchurian armies opposing her troops but declared the source of supply to be the former Manchurian Governor, General Chang Hsiao-liang, now at Peiping. An effective but mysterious system of distribution prevailed, caring for widely separted units. The Manchurian forces were not fleeing to the outskirts of their home territory but were operating in all three provinces. The heaviest fighting, however, was occurring in the areas north and east of Harbin. Early in May the Chinese Eastern Railway was reported to be cut at nineteen places between Harbin and Hailin, the latter city being 150 miles east of Harbin and 125 miles from the Siberian frontier. Because of the fighting near Tsitsihar, west of Harbin, the League commission, which visited Harbin, did not attempt to visit the colorful General Ma Chen-shan, but sent representatives to him by airplane. On May 23 a Japanese force captured Fuchin, in the Sungari valley, only thirty miles from the Siberian border.

The League commission returned to Dairen, Manchurian port in the Kwantung leased territory, on May 28, after observations and interviews at Mukden, Changchun and Harbin. It found nearly a ton of statistics and propaganda matter awaiting it there. After a period at Dairen and Port Arthur, the commission was to revisit Mukden, Peiping and Tokyo, and then to retire to a quiet spot to prepare its final report.

Paris reports stated that Japan was trying to purchase titular ownership in the Chinese Eastern Railway through negotiations at Tokyo. The party understood to be negotiating with Japan was the Franco-Asiatic Bank, successor in 1925 to the Russo-Asiatic Bank, which built the Chinese Eastern Railway on behalf of the Russian Government, using funds amounting to $200,000,000 which were borrowed in France. The bank claims to be the titular owner of the stock of the line but the Paris report stated that the claim was not fully established. The Soviet Government claims ownership of the Czarist Government's interest and, since 1925, the line has been run as a joint commercial enterprise by the Soviet Union and the Manchurian Government. Official denials of any negotiations were made at Tokyo and Paris. Actually, Russian influence in the control of the road has declined under Japanese

military occupation of Central Manchuria. Early in June Japanese reports stated that the Franco-Asiatic Bank was preparing to make a large loan to "Manchukuo," with Japan as guarantor.

Manchuria was described by Major T. Hanaya, of the political section of the Japanese garrison there, as now actually ruled by a "Board of General Affairs," composed of seven Japanese. This board is attached to the executive *yuan* and it makes the final decision on policies, personnel and budget. Six bureaus—of accounts, personnel, purchasing, legislation, statistics and secretariat—are headed by Japanese members of the board.

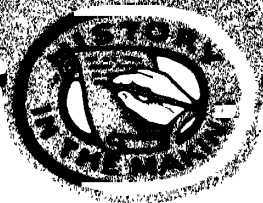
As anticipated when former Minister of War Minami went to Manchuria last December, a plan to consolidate all Japanese governmental agencies in Manchuria under a single head—and that head a military officer—was reported to have received official endorsement in Japan. Thus the consular offices, the military establishment and the South Manchuria Railway were to be linked up under what would amount to a viceroyalty of Manchuria. The probability of increased railway construction in Manchuria, involving 635 miles of new lines, was admitted by Count Uchida. The Japanese claim to have agreements with the former Governor, Chang Tso-lin, for the building of all these lines. Mr. Pu-yi, the doughty "regent" of "Manchukuo" has no choice but to implement contracts never agreed to by China and repudiated by Chang Hsiao-liang.

JAPAN LEAVES SHANGHAI

In the light of the transfer of troops evacuated from Shanghai to the battlefronts in Manchuria, Japan's acceptance of armistice terms and her evacuation of all but 2,500 men from Shanghai in less than a month became understandable. The destruction of Chapei in February now takes on the aspect of punishment for China's venturing to resent the rape of valuable territory. More than 600 deaths among the Japanese troops at Shanghai were admitted. General Y. Shirakawa, commander, died on May 26, from wounds sustained in the bombing incident of April 29. The last of nearly 100,000 expeditionary soldiers embarked on May 31, and Chinese police took over the formerly occupied area, while the 2,500 Japanese bluejackets were left for garrison duty. Shanghai's gain was Manchuria's loss.

Although the armistice terms contained no reference to cessation of the boycott, there appeared to have been an understanding reached on that issue—indeed the understanding was reached before the murderous attack began, since orders were issued from Nanking on May 5 for the suppression of all anti-Japanese organizations. The organizations have protested and have sought to persuade municipalities to ignore the government's orders. (See the article by Demaree Bess on pages 395-399 of this magazine).

In connection with the evacuation, the Japanese Government agreed to rely upon the assurance of the international mixed commission, which is headed by American Consul General Cunningham, that the terms of the agreement would be kept. Apparently the armistice has been observed, although the Nanking Government, resenting Japan's expression of hope that Chinese troops would not enter the zone 12½ miles around Shanghai, has declared that no stipulation or understanding to that effect had been reached.

Japan proposed a conference of the five powers principally interested in China to reach some agreement regarding common action for protection of foreign lives and property in the Shanghai area and other parts of China, exclusive of Manchuria and Inner Mongolia. The four powers invited—the United States, Great Britain, France and Italy—agreed not to accept unless China were included.

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CURRENT HISTORY

AUGUST 1932

Roosevelt: The Democratic Hope

By CLAUDE MOORE FUESS*

THE small boy who in our day aspires to become President should lay his plans to be first a member of the Cabinet or the Governor of a State, and not a Congressman. A Senator or a Representative can hardly help making enemies who are potential obstacles to his further advancement. The careers of Theodore Roosevelt, William Howard Taft, Woodrow Wilson, Calvin Coolidge and Herbert Hoover prove that any ambitious lad can afford to ignore the Capitol as a possible stage on the road to the White House. And now the Democrats have provided us with another candidate whose reputation has been formed chiefly as State Senator, Assistant Secretary of the Navy and Governor of New York.

The pleasing illusion that, in a democracy, the office should invariably seek the man has this year been dissipated, for each of the two leading party nominees had been frankly and openly in the field. Franklin D. Roosevelt, heartened by his experience at Albany, is eager to repeat it in Washington. Herbert Hoover is obviously desirous of a vindication and a second term. Neither has been coy or shy. Why should he be? One recalls the story of Daniel Webster, who, in 1852, after he had lost the Whig nomination for the Presidency, was told that the position could add nothing to his fame. "Perhaps it is as you say," replied the statesman. "Perhaps I am just as well without that office. But, sir, it is a great office. It is the greatest office in the world; and I am but a man, sir, I want it, I want it." A blunt remark of this kind in the political world is as refreshing as an east wind on a humid afternoon. Mr. Hoover and Mr. Roosevelt have emulated Webster in refraining from hypocrisy.

Mr. Hoover's personality, long a fruitful topic of discussion, should by this time be no mystery to his coun-

*Mr. Fuess is a well-known American biographer, having written lives of Caleb Cushing (1923), Rufus Choate (1927), Daniel Webster (1930) and Carl Schurz (1932), besides contributing to the *Dictionary of American Biography*. He is now at work on a life of Henry Cabot Lodge.

trymen. Mr. Roosevelt, however, has been less carefully studied. It is apparent, of course, that he belongs to a type found more frequently in England than in the United States—the patrician, or the scholar-gentleman, in politics. Recently, however, we have become accustomed to college graduates as Presidents; indeed, it is some years since a genuine homespun child of the people has attained that office. Mr. Roosevelt, at a dinner or a ball, certainly bears more resemblance to Thomas Jefferson and Woodrow Wilson than to Andrew Jackson. But, leaving manners, accent and tailoring aside, what is Roosevelt really like? If we listen to the *Boston Herald,* he is a "slippery opportunist." If we accept the verdict of his admirers, on the other hand, he is a gallant crusader, battling nobly against special privilege and monopoly. Shall we trust Walter Lippmann when he says: "The trouble with Franklin D. Roosevelt is that his mind is not very clear, his purposes are not simple, and his methods are not direct"? Or shall we accept John E. Mack's declaration that Roosevelt is "a practical American, with a clear perspective and a knowledge of the entire nation"? It is difficult to weigh the evidence calmly when a prominent man is being simultaneously so much eulogized and so much abused. The truth is that he is neither all saint nor all sinner, but, like most mortals, a combination of variegated ideas, hopes and prejudices, from which the analyst must with difficulty evolve what may be called the man himself.

Roosevelt's early life cannot be described as having been, like Lincoln's, "the short and simple annals of the poor." He belongs, by inheritance and education, to the aristocracy. He is the son of James R. Roosevelt by his second marriage to Sara Delano, and both the Roosevelts and the Delanos are old New York families, surrounded by luxury. Born on Jan. 30, 1882, the boy was brought up on his father's farm at Hyde Park, on the Hudson River, seventy miles north of Manhattan. He did not go to public school, but had French and German governesses, as well as private tutors, and was usually taken abroad for a few months of each year. At 14 he was sent to the exclusive Groton School, with others from his upper stratum of society. Up to this time he had associated with very few boys and girls outside his family circle, but he had led a healthful outdoor life and knew how to hunt, to swim, to play tennis and to sail a boat. Although he was uncontaminated by snobbery, no observer would have predicted that a lad with this background would develop into a leader of the party of William Jennings Bryan.

At Harvard, where he graduated in 1904, Roosevelt attained distinction chiefly as an active and fearless editor of the *Crimson.* He did, however, complete the regular course in three years and made Phi Beta Kappa. It is significant that he was elected to the more select clubs and was chosen chairman of his class committee. More important, perhaps, is the fact that, while Franklin was at this impressionable age, his fifth cousin, Theodore, was President of the United States, and the brilliant career of "T. R." unquestionably stirred the aspirations of his younger and somewhat distant relative. It was in Harvard College that Franklin D. Roosevelt began vaguely to think about civic duty and public service.

In the Autumn of 1904 Roosevelt entered Columbia Law School. He was already in love, and, on March 17, 1905, he married his cousin, Anna Eleanor Roosevelt, daughter of Theodore's brother, Elliott. The President himself attended the wedding, and his daughter, Alice, was a bridesmaid. Fifteen years later, the younger Theodore said of Franklin: "Oh, he's a maverick. He doesn't have the brand of our family." Mrs. Longworth refers to him today without enthusiasm. But Franklin was a Roosevelt beyond a doubt, and was soon to prove his

eligibility to the clan. His wife, a woman of high intelligence and broad humanitarian interests, has been of much assistance to him in his progress.

In 1907 Roosevelt was admitted to the bar and promptly entered the office of Carter, Ledyard & Milburn, one of the best in New York, where, because of his interest in naval affairs, he was assigned the admiralty cases. But he did not cease watching the course of political events. The family tradition was Democratic, Theodore Roosevelt being the only Republican Roosevelt of his generation. For whom Franklin voted in 1904 and 1908 I do not know, but in 1910 he started in a modest way by going as a delegate to the Democratic State Convention in Rochester. In a sense it was a dramatic moment. The restless "T. R.," lately returned from hunting lions, could not remain behind the scenes and had insisted on dictating the nomination of Henry L. Stimson for Governor. The Democrats named John A. Dix. A few days later Franklin D. Roosevelt was persuaded to accept the nomination for the State Senate in his own strongly Republican district. It looked like a futile fight, but he took his campaign seriously, toured the county by automobile and quite unexpectedly defeated his opponent in a close contest. The Roosevelt name, then and later, was no handicap. Many voters undoubtedly thought that he was the ex-President's son. Some of them still think so today.

Senator Roosevelt opened his legislative session by audacious defiance of Tammany. Charles F. Murphy, the Tammany boss, had picked "Blue-Eyed Billy" Sheehan, an old-school politician, to succeed Chauncey M. Depew as United States Senator. Roosevelt, who had examined Sheehan's past and preferred Edward M. Shepard, organized eighteen Democratic Assemblymen who pledged themselves to refuse to attend the party caucus and to stand together until Sheehan's name was withdrawn. It looked like political suicide, but the insurgents were able to block a choice for Senator. Pressure was brought to bear, but their backs only stiffened. Threatened, Roosevelt, in words which sounded like an echo of "T. R.," said "There is nothing I love so much as a good fight." Meanwhile all business was held up at Albany and the nostalgic legislators were getting nervous. Finally Murphy, after summoning Roosevelt to a conference and ascertaining that the latter could not be budged, compromised on James A. O'Gorman. Tammany had been beaten and a movement had been initiated which was ultimately to lead to the election of Senators by popular vote. Roosevelt's demonstration of independence made him a conspicuous figure in the State. To many observers he seemed like the reincarnation of Grover Cleveland, appearing at the psychological crisis to free his party from the shackles of Tammany rule.

At Albany Roosevelt grew rapidly in influence, but in 1913 his normal progress was interrupted by destiny. An early admirer of Governor Woodrow Wilson, Roosevelt again ran counter to Tammany by promoting Wilson's candidacy for the Presidency in 1912. Although not a delegate, he attended the Baltimore Convention and later, in spite of an attack of typhoid fever, did what he could to elect Wilson. Just before the inauguration Josephus Daniels offered Roosevelt the position of Assistant Secretary of the Navy, the same post which, by a peculiar coincidence, Theodore Roosevelt had occupied under McKinley. Franklin D. Roosevelt resigned from the State Senate, to which he had been reelected, and moved with his family to Washington, where he was to spend eight strenuous years.

Roosevelt was well equipped for his new job. Already he owned one of the world's finest collections of books on naval affairs, and he had sailed boats since his babyhood. Possibly in unconscious imitation of "T. R.," he became the advocate of "prepared

ness" and of a more powerful fighting fleet. Long before our entrance into the World War he had investigated the problems of our national defense. Thus, when the crucial moment came, his department was ready. He daringly anticipated emergency appropriations, authorizing large expenditures before Congress had actually voted the money and slashing red tape whenever it was necessary to do so. During the crisis he was a militarist, and his energy, practicality and zeal were all devoted to winning the war. Late in the conflict he was largely responsible for planning and laying the famous North Sea barrage which did so much to impair the German morale. In July, 1918, he went to Europe to discuss cooperative measures with the Allied leaders. He attended the Versailles Conference, where his admiration for President Wilson was accentuated, and he was converted to a belief in the League of Nations as a basis for international understanding.

At the Democratic National Convention of 1920 Roosevelt was present as the leader of some thirty delegates from up-State New York who approved of Wilson's policies. It was he who carried the standard of that State in the noisy parade which was intended as a demonstration of loyalty to the invalid President. After James M. Cox had been nominated, Roosevelt, without any intimation of what was in the air, was named by acclamation as the Democratic candidate for Vice President, Alfred E. Smith having made one of the seconding speeches. Although the Democratic campaign could make little headway against Harding's slogan of "normalcy," Roosevelt delivered over a thousand speeches and was heard throughout the country. When Harding and Coolidge were elected, he returned to his private practice of the law. After the war his militaristic mood rapidly cooled, and he has since sponsored a naval holiday and other measures for achieving world peace.

In 1921, when he was 39 years old and in perfect health, a great catastrophe descended upon him. Fatigued after a busy Winter, Roosevelt sought a brief vacation at his cottage on Campobello Island in the Bay of Fundy. On a seething August afternoon he plunged into the icy water for a swim. A chill followed. On the next morning he was ill, and a day later he could not move his legs. Specialists made a diagnosis of poliomyelitis, or infantile paralysis, and he was carried back to New York on a stretcher, seriously ill and apparently condemned to inactivity for the remainder of his days. But when the attack had passed he made up his mind not to give in. Unable to regain muscular control of his legs, he soon accustomed himself to crutches and went about his daily duties as usual. Meanwhile he consulted every available authority on the disease. Although persistent exercise brought only slight improvement, he never lost patience. In 1924 he took charge of the Smith campaign and, in thrilling words, placed the name of the "Happy Warrior" before the Madison Square Garden convention, receiving a tumultuous ovation as he swung on his crutches to the platform. His fight for health had caught the popular imagination. Again, however, the Democratic ticket of Davis and Bryan presented few attractions to the voters, and the Republicans, personified in Mr. Coolidge, remained in control of the nation.

Even when his physical condition was at its worst, Roosevelt did not seek sympathy or pity. In the Autumn of 1924 he was told of an almost abandoned Summer resort at Warm Springs, Ga., where the water had an average temperature of eighty-eight degrees. There, with a life preserver around his waist, he remained in the pool for several hours a day, moving his legs slowly up and down. Gradually his muscles strengthened, and

after some months of this treatment he laid aside his crutches. Within a year he could ride horseback and drive his own car, and he now walks with the aid of braces and a cane. Of his endurance there can be no doubt whatever. During his campaigns for Governor in 1928 and 1930 it was frequently asserted that he would break down, but he made hundreds of speeches without fatigue. Aside from the weakness of his leg muscles, he has a superb vitality, which he preserves by several weeks spent each Winter in the peace of Warm Springs. The delegates at the recent Chicago convention saw no visible physical weakness in the man who flew from Albany to Chicago and there addressed them from the platform.

Through Roosevelt's money and influence the obscure Georgia resort has been transformed into a centre for the treatment of the victims of infantile paralysis. In 1927 he established the Georgia Warm Springs Foundation, which purchased the hotel, the cottages and the pool, secured an endowment, and eventually built a first-class sanitarium fitted out with every medical convenience. Hundreds of cripples have been treated there, and most of them have benefited by their experience.

Until 1928 Franklin D. Roosevelt had very few enemies, either personal or political. He was generally regarded, even by Republicans, as an attractive young man with good intentions and much ability who had suffered a stroke of hard luck which had removed him from the list of possible competitors for high office. It was popularly supposed, not without reason, that Tammany considered him to be dangerous and would not encourage him to re-enter public life. Nor did he himself wish to get into the game. He was concentrating on the re-establishment of his health so that there would be no relapse. What he wanted, first of all, was to rid himself of his crutches. With this in mind he refused to run either for Senator or Governor.

He did, however, out of friendship lend his prestige to the cause of Alfred E. Smith; and in 1928, at Houston, he had the pleasure of seeing him at last win the Democratic nomination for the Presidency. When Smith later asked him to enter the contest for Governor of New York, Roosevelt declined, pleading his health as an excuse and saying that he owed it to his family "to give the present constant improvement a chance to continue." The Democratic State Convention at Rochester in early October was a forlorn gathering. Name after name was suggested as a possible head for the ticket, and each was rejected. At last Smith tried to get Roosevelt on the long-distance telephone at Warm Springs and begged for his help. Again Roosevelt refused, but when Smith made it a personal matter and asked desperately, "If the convention nominates you anyway, will you decline to run?" he had to yield. With this tacit assurance that he could be drafted, the convention nominated him, and he, after stumping the State for the Democratic ticket, carried it by a majority of 25,564. Smith and Robinson lost it by more than 100,000 and were defeated in the nation by Hoover and Curtis. Such amazing vote-getting power naturally focused the attention of the Democracy on this new leader — a man who could run far ahead of the popular Al Smith.

Roosevelt's inauguration at Albany on Jan. 1, 1929, marked the beginning of another stage of his career. His friend, Al Smith, whom he succeeded in office, congratulated him as "Frank," and everything seemed harmonious. But controversy and calumny were to be his lot. He had to face perplexing issues and to oppose some of his former associates. He had to deal with Tammany and its avaricious leaders. He could not escape arousing hostility, even within his own party. Roosevelt is still Governor of the Em-

pire State, and the main phases of his administration have been published so that every literate person could read them. What has happened? The Republicans have, of course, opposed him on many issues; he has lost Smith's friendship; he has not impressed the civic reformers, and he has alienated Tammany, or at least many of its leaders. Meanwhile, however, he has trumpeted an appeal to up-State New York and to the Democrats of the South and West. Without the backing of the delegation from his own State he secured the Presidential nomination. While delegates from other sections leaped up and down in a frenzy of emotion when his name was mentioned, the New York group remained in their seats, sullen and defiant, and even Mayor Walker voted for Smith. The hero who was so popular with everybody in 1929 has now to meet both contempt and hate.

Confronting a Republican Legislature, Governor Roosevelt was certain to have trouble. The really imminent problem was that of the best method of handling the immense hydroelectric power available from the St. Lawrence River. Governor Smith had adopted the policy that this enormous supply of energy should be developed only under State authority, but might be sold to private companies for distribution. Governor Roosevelt adhered to this plan, but startled the conservatives by intimating that if the system of distribution by private agencies should fail the State should construct and operate its own transmission lines — in plain language, that New York should enter the business of selling power and light to its citizens. He considered that private exploitation was under the circumstances unfair to the purchasing public. "Public utility corporations," he declared, "must never be our masters. They must be our servants." On this issue Roosevelt was opposed by the Legislature, which favored the private development of the St. Lawrence. In 1930, when Roosevelt ran against the Republican, Charles H. Tuttle, water power was perhaps the major source of disagreement between the two parties. The Democrats won by a majority of 725,001, the most overwhelming victory in New York State history. Roosevelt's own party, including Tammany, had stood by him faithfully, and the *Atlanta Constitution* was right in asserting that he towered "like Saul among his Democratic brethren."

Governor Roosevelt could afford to ignore the gibes and denunciation of the Republicans if only he could retain the confidence of his own party. But always in the background was the menacing spectre of Tammany. Republican strategists knew that the easiest way of eliminating Roosevelt as a possible Democratic standard-bearer in 1932 was to set Tammany against him. The quickest method of doing this was, of course, by dragging him into the unsavory affairs of New York City. The existence of incompetence, not to say dishonesty, among certain New York officials allied with Tammany was manifest to every intelligent citizen of that community. The scandals were again brought to light in 1930, during Roosevelt's campaign for re-election as Governor. Instead of speaking out promptly against the malodorous Curry-Walker faction of Tammany Hall, he merely intimated that he had no power to act—and did nothing. Thus he alienated many of the reforming element in the city. The New York *Evening World* said: "Governor Roosevelt could have lost the coming election through Tammany hostility and remained a great leader. Instead he has lost a respect for which no victory can compensate."

During his second administration Governor Roosevelt has presented the spectacle of a man not sure what to do. He signed the bill passed by a Republican Legislature appropriating money for the Seabury investigation,

and gave Judge Seabury ostensibly a free hand. Although he dismissed the charges against District Attorney Crain, he did remove Sheriff Farley from office; but he also considered and dismissed the charges brought against Mayor Walker by the City Affairs Committee. Generally speaking, he has refused, as one of his biographers has pointed out, to admit "that the irregularities of the government of New York City have any political implications beyond the confines of the city." He did not do enough to satisfy the reformers, and he did too much to please Tammany. Before 1932, to the glee of the Republicans, the "little rift within the lute" widened; and in the late Spring of the current year the Tammany leaders refused him the support of the New York delegation at Chicago and assigned anti-Roosevelt men to prominent places on important committees. At the very moment when he was being condemned in some quarters for his inaction, he was being repudiated by Tammany itself. His astounding victory on July 1 was a bitter pill for the Wigwam to swallow, and it still remains to be seen what Tammany will do at the polls in November. On the final ballot in Chicago, Roosevelt received only 31 out of New York's 94 votes.

Roosevelt's bitterest critics have maintained that in his relations with Tammany he has sold his soul to Lucifer and sacrificed his integrity. His defenders, on the other hand, maintain that he has proceeded with regularity and fairness, making sure of his ground before reaching a decision. Judge Seabury himself, in his speech on Feb. 28, at Cincinnati, showed impatience at Roosevelt's silence and lethargy when confronted with demonstrated corruption. The situation was such that the Governor was certain to be damned, no matter which course he pursued. That he was able under the circumstances to win the Presidential nomination is proof that a very large number of persons outside New York State do not regard him as culpable.

Governor Roosevelt is now the Democratic candidate for President of the United States. He is in his fifty-first year, in the prime of life, about six feet two inches tall, with a powerful neck and chest. He has clear blue eyes, brown hair and a fascinating smile, with features which are difficult to caricature because they reveal nothing out of the ordinary, like Theodore Roosevelt's teeth, McAdoo's nose or Hoover's pudgy cheeks. A physical examination for a life-insurance policy in October, 1930, showed that he weighed 182 pounds, had a thirty-seven-inch waist and was free from any organic weakness except that due to infantile paralysis. He has an excellent radio voice and is a persuasive public speaker.

His personality is not inaccurately described as magnetic. He is good-natured, perhaps too amiable, and it takes much provocation to irritate him. He has a gift for getting along with people of all ranks and classes. He has a well-developed sense of humor which comes to his rescue in emergencies. Those who meet him are impressed by his fundamental sanity. He is not ostentatious, but prefers a quiet home life and dislikes pretense and sham. He enjoys such diversions as toy yachting, horseback riding and motoring. For hobbies he collects postage stamps and owns a large number of ship models, several of which he built himself. He is a good farmer and forester, fond of conducting experiments on his land. He has been connected with countless philanthropic organizations and with the Woodrow Wilson Foundation. He has been an Overseer of Harvard College and is a trustee of Vassar and Cornell. He is a Mason and a member of the Protestant Episcopal Church.

In his political philosophy Roosevelt was originally a Jeffersonian

Democrat, with a firm confidence in the plain people and a desire, apparently sincere, to further their welfare; more recently, he has become increasingly liberal, inclined to indulge in what *The New York Times* calls "demagogic claptrap." Convinced that it is the duty of the State to care for its incapacitated citizens, he has advocated unemployment insurance, old age pensions and workmen's compensation. He has unquestionably done his best to relieve rural taxation, to promote prison reform, to systematize labor legislation and to bring about the State control of public utilities. In his acceptance speech, one of the best he ever made, he declared himself especially eager to assist the laborer, the farmer and the small investor. By some reactionaries he is regarded as very dangerous, and his famous speech, on April 7, 1932, about the "Forgotten Man," did not relieve their apprehensions. On the other hand, a true radical, Bruce Bliven, has said of him: "To me he seems rather the good fellow who talks in terms of restitution to the poor, but would not do anything which would seriously hurt the rich." On his record up to the present moment, Governor Roosevelt is to be classed as a progressive rather than as a radical, if, indeed, it is possible to define these very vague terms. His temperament and his training will probably keep him from socialism. As to the Eighteenth Amendment, he has now committed himself to repeal, without equivocation, in his speech of acceptance, by pledging himself to the Democratic platform and by adding: "I say to you now that, from this time on, the Eighteenth Amendment is doomed."

During the next few weeks Governor Roosevelt will be denounced by Republicans for selfish opportunism, political cowardice and ruthless betrayal of his friends. Whispered stories are already sifting from ear to ear, casting aspersions on his mental and moral stability. It is alleged that he deals in glittering generalities and sonorous platitudes, and has nothing constructive to offer as an economic program for ameliorating the depression. Many business men are suspicious of him, fearing that he leans toward socialism and that he does not like banks or bankers. *The New York Times* has called him "indefinite, abstract, irresolute," and Walter Lippmann has styled him as "a pleasant man who, without any important qualifications for the office, would very much like to be President." The *New York Evening Post* has said: "The fear that he lacks both conscience and intelligence is the influence that is weakening Franklin Roosevelt's candidacy."

But Republicans will do well not to underestimate their adversary. He is no docile weakling or political nonentity. He will, I am sure, make a far stronger candidate than Cox, Davis or Smith. He is a tireless campaigner, full of aggressiveness and he knows the language of the common people, the people who, after all, cast a large majority of the votes. Finally, one must remember that he is a Roosevelt, and that the Roosevelts have a genius for doing the unexpected.

The National Conventions of 1932

By TURNER CATLEDGE
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BETWEEN June 14 and July 3 in this year of 1932 the two major political parties held their quadrennial conventions in the city of Chicago and through them presented to the country two men, one of whom will be the next President of the United States.

The one convention ratified the candidacy of Herbert Clark Hoover of California and started him out in quest of another four years in the White House on the basis of his own record. The other summoned Franklin Delano Roosevelt, the "liberal" Governor of New York, to lead a drive for more daring doctrines, designed to "recover economic liberty" and recapture the National Government at Washington. One was the Republican convention, born in apathy and ending in confident smugness; the other the Democratic, ushered in with many apprehensions but winding up with a burst of exultation over prospects for the Fall elections.

Second only to the candidates they presented, the two conventions answered a twelve-year-old plea of the American people for an outright expression on the controversial subject of prohibition. Almost as if they had worked in unison on this question, the two parties gave the country the opportunity of saying whether it is wet or dry, and exactly how wet or how dry. The Republicans proposed resubmission of the liquor question through a constitutional amendment so framed as "to preserve the gains already made in dealing with the evils inherent in the liquor traffic" and to retain Federal control over the whole question; the Democrats went all the way for repeal of the Eighteenth Amendment and, pending such repeal, for modification of the national prohibition act so as "to legalize the manufacture and sale of beer and other beverages of such alcoholic content as is permissible under the Constitution."

With essential issues more clear cut than in recent times and sentiment in the country apparently more evenly divided than for twelve years in the past, spokesmen of the two parties went out from the stuffy halls and crowded hotels of Chicago and headed for the hinterland—Republicans waving the record of Herbert Hoover as set out in a 6,000-word platform, Democrats citing the same record as reason for a change and brandishing their own promises in a document of less than 1,500 words. [The complete text of the party platforms will be found on pages 630-640.]

The Republican convention was called to order shortly after noon on June 14 by Senator Simeon D. Fess of Ohio, retiring chairman of the Republican National Committee and stanch supporter of all things Republican. Not a mention was made of Herbert Hoover in those opening exercises. Not a picture of the engineer statesman hung on the wall or from the galleries of the crowded Chicago Stadium. It was Flag Day, and the opening ceremonies were dedicated to our original engineer statesman, George Washington.

The convention was soon to hear of Hoover, however, even as much as the pre-convention meetings and discussions had heard of the then all-powerful will of the party leader. Elaborate arrangements had been made

for the meeting. Committees of the party had worked with citizens of Chicago. The great Chicago Stadium had been ribbed with speaking devices, laced with telegraphic and radio wires; bunting had been hung and draped from ceiling and galleries and a band and an organist had been hired. But not the least among the arrangements, as was later found out, was the setting up of a private telephone wire from a room in the Congress Hotel to the President's desk at the White House. That wire was to make convention history. It started on its history-making mission on Sunday, June 12, when Lawrence Richey, private secretary to the President, and Walter Newton, his political secretary, who incidentally was a delegate from the State of Minnesota, arrived to take up the liaison between those theoretically running the convention and "the Chief." The private wire spoke, not loudly but finally, on every controversial subject before the convention or any of its committees, including the prohibition problem, and was given credit for saving the Vice Presidential nomination for Charles Curtis of Kansas.

The prohibition issue soon developed as about the only question before the convention. Some observers, among them politicians, looked for revolt here and there and finally settled on the idea that the break would come over the Vice Presidential nomination. As seasoned a political observer as Secretary of the Interior Ray Lyman Wilbur doubted that a convention could be kept under as absolute control as was evident at the outset of the Republican meeting. Days passed, however, without a sign of a break, except one slight case in which the credentials committee seated a "black and tan" delegation from Mississippi against a "lily white" contingent backed by the administration. Whoever had looked for revolt had either not heard of or had paid scant attention to the existence of that private wire to the White House.

Interest in the prohibition question grew rapidly from the belief that some change would be recommended. Word came to Chicago on Sunday night that Mr. Hoover had agreed to a proposal to resubmit the question to the States. Secretary of War Hurley was reported from Washington to be "rushing to Chicago" with the prohibition proposal as approved by the party leader himself. The actual work of determining the party's position on prohibition started on the night of June 14, just a few hours after the convention had been formally opened. The committee on resolutions, commissioned to draft the platform, sat for long hours hearing advocates of prohibition reform and prohibition reaction, and then sat for longer hours trying to formulate its own conclusions.

Senator Hiram Bingham of Connecticut arrived on Monday, June 13, to advocate outright repeal as the stand of the party. He was Connecticut's member of the resolutions committee. His plank was already formulated; he knew what he wanted. But when the Connecticut wet proposed that a committee of fifteen be designated to work out the draft of the platform, he was soon aware of the fact that he had been left off a subcommittee for whose birth he had been responsible. After an all-night session the resolutions committee emerged on the morning of Wednesday, June 15, with the party's platform, including the so-called "wet-dry" plank which, according to convention leaders, had been thumb-marked by the President himself. Senator Bingham immediately gave notice that he would file a minority report, proposing that the party take a stand for outright repeal. His announcement assured a fight.

The party's statement of principles —the "platform"—was taken before the convention that night. The fight that had been anticipated was realized in all its fury. The convention was

treated to its first dose of Chicago rowdyism, of which the Democratic meeting was to see more. Senator Bingham led his forces against the "sham" plank, as he characterized the majority proposal. The crowd cheered the white-haired, handsome Senator as he pleaded for an "honest" statement on prohibition, and booed and jeered such party leaders as James R. Garfield, son of the late President, and Ogden L. Mills, Secretary of the Treasury, as they advocated adoption of the administration plan. Dr. Nicholas Murray Butler received the greatest reception of all with his castigation of the mild "wet-dry" plank proposed by the resolutions committee. But when the votes had been counted, 681 stood with the administration against the 472 for the outright repeal plank of Senator Bingham. Only Mississippi broke completely away from the powerful control of the administration, and this was explained the next day by Perry Howard, Negro leader of the delegation, as a "pure fumble," due to a misunderstanding of the question before the convention.

After the action on prohibition, the entire party platform was adopted without even as much as a rising vote or further discussion. The convention as a whole evidenced little interest in the tributes to the leadership to President Hoover or to the reaffirmation of present policies, after the prohibition question had been settled. Delegates listened, applauded at times and even shouted once or twice while Mr. Garfield read the declarations, especially those parts relating to public economy, a balanced budget and maintenance of the gold standard "unimpaired," but did not raise a voice to discuss any of them.

The renomination of Mr. Hoover would go down in history as entirely perfunctory were it not for the possibility that future recorders might give some prominence to the last-minute dash of former Senator Joseph I. France of Maryland to throw the convention into a panic, a move that from the start was hopeless. Mr. France, a candidate before the convention himself, conceived the idea of a coup by which he would seize the platform and place in nomination that idol of post-war and pre-Hoover Republicanism Calvin Coolidge. Mr. France gained the platform all right, but his strategy came near writing him down as the perpetrator of a misdemeanor under the ordinances of Chicago and laws of the State of Illinois. Before he could utter a word, he was grabbed by police and rushed from the platform.

In the balloting that followed, Mr Hoover received 1,126½ of the 1,154 votes. Senator France received 4 Coolidge, 4½; Dawes, 1; John J Blaine, the Wisconsin "insurgent," 13 and former Senator Wadsworth of New York, 1. Three delegates did not vote and one was marked absent.

As one revolt was squelched, another died aborning. While the prohibition battle was waxing warm, word came from Washington that Charles G. Dawes, recent president of the Reconstruction Finance Corporation, had withdrawn himself from all consideration as a nominee for the Vice Presidency. His "No" had crushed the drive to unhorse the former jockey Charles Curtis of Kansas, as Mr Hoover's running mate. With Mr Dawes completely out of the race, the opposition to Curtis tried to centre on some one else. The Texas delegation had led the flight away from Curtis and others were following one by one but the emphatic Dawes "No" was reinforced by whatever it was that came over the private wire from the White House, and there was scurrying back to the standard of the Kansan.

Colonel Hanford MacNider, Minister to Canada and hero of the doughboys, was put forward. Major Gen James G. Harbord of New York was put up to tempt the ex-service men as was General Edward Martin of Pennsylvania. Favorite sons were trotted out, and Representative Snel

of New York, permanent chairman of the convention, was placed in nomination by the Texas contingent as a reward for his services. Before the balloting started six names had been entered and six more were placed in nomination during the roll-call. Vice President Curtis was 19¼ votes short of renomination at the end of the first ballot. Then it was that Pennsylvania, just as she had done for Mr. Hoover when he was first nominated, came to the rescue. The delegation changed its 75 votes from Martin to Curtis. The Kansas delegation raised its standard and started a demonstration. R. B. Creager of Texas, who had engineered the Dawes boom, moved that the nomination be made unanimous.

Then, with adoption of a few resolutions the Republican convention of 1932 passed on to the archives of party history three days after it was begun. Everett Sanders of Indiana was subsequently made chairman of the Republican National Committee, to become, in fact, manager for the Hoover-Curtis ticket.

Three days after the Republicans had taken their signs down from the doors along the "B" floor of the Congress Hotel the Democrats began to set up shop. The first to come were the Roosevelt forces. Headed by James A. Farley, they took over a whole section of rooms, departmentalized their headquarters and before many days had passed were operating a major industry in the city of Chicago.

Then came backers of Alfred E. Smith, Speaker John N. Garner, Governor Albert C. Ritchie of Maryland, former Governor Harry Flood Byrd of Virginia, Melvin A. Traylor of Illinois, James A. Reed of Missouri and William A. (Alfalfa Bill) Murray of Oklahoma. Headquarters were set up; incoming delegates and visitors were deluged with literature and bedecked with badges; signs appeared in the lobbies and waiting rooms telling of the strength of this and that candidate, and fervent souls strode the passageways venting their views on economies, prohibition, the two-thirds rule or the right of Senator Huey P. Long to handpick a Roosevelt delegation from Louisiana.

The actual work of the convention was begun on Wednesday, June 22. A committee on resolutions already had been formed out of members designated by various State delegations before arriving in the city so that the task of writing the platform could be begun.

It was thought at the outset that a fight would be waged for control of the convention between friends of Governor Roosevelt and those opposed to his nomination. The first flourish of the contest occurred that first Wednesday when a subcommittee, designated by John J. Raskob, retiring chairman of the Democratic National Committee, undertook the responsibility of passing upon delegate contests in Louisiana, Minnesota and Puerto Rico. The Roosevelt forces rose up in open defiance of the regular party organization—a defiance which was to continue until the Smith-Raskob-Shouse organization had been completely overthrown.

Led by Senator Long, self-styled "Kingfish" of Louisiana, the so-called "regular" delegations refused to submit their contests to the subcommittee. Senator Long used strong language in characterizing the group, and pulled the cat right out of the bag with a declaration that it was a move to throw out three groups of delegates pledged to Roosevelt. He was upheld by the full committee, later by the credentials committee and by the convention itself.

The preconvention parleys brought on more controversy. As each candidate arrived, new fuel was added to the fire. A "Stop Roosevelt" movement developed in no uncertain proportions and proudly bore the name. The pro-Roosevelt movement to control the convention, get the nomination and get it quickly was in evidence on every hand. This was noted by friends of former Governor Smith,

around whom the "Stop Roosevelt" movement was centring. Mayor Frank Hague of Jersey City felt it so keenly that he came out boldly with a statement, issued from the Smith headquarters, telling the whole convention that Governor Roosevelt would be the weakest candidate that could be named at the convention, too weak to carry the Eastern seaboard.

By the time the convention assembled in solemn session at noon on June 27, rough sailing was indicated on the weather chart. During the hectic preconvention days Governor Roosevelt's forces, sure of a majority of the delegates but somewhat short of the two-thirds majority as required by the 100-year-old custom of the party, decided to change the rules at that stage of the game. This loomed as the first big test, and then there was the determination of the Roosevelt people to elect Senator Thomas J. Walsh of Montana as permanent chairman, instead of Jouett Shouse, who was put forward by the old organization. The Roosevelt interests staked their all on the outcome of these skirmishes. They realized that a defeat on any one of them might mean such defections from their fold as could not be filled in time to prevent some "dark horse" from scampering home with the nomination.

Into this confused situation walked the tall, soft-spoken but crafty William Gibbs McAdoo. He was welcomed as a convention delegate, and enjoyed a bit of acclaim in the Garner fold as the leader of the forty-four delegates from California. Mr. McAdoo's views were solicited on the various controversial matters and written down as worth just forty-four votes, or the number from California. He was for retention of the old two-thirds rule; he was for Mr. Shouse as permanent chairman; he had no second choice for the Presidential nomination; he was for Garner, first, last and always. Mr. McAdoo shook hands warmly with many people, including former Governor Smith, with whom he fought it out at the Madison Square Garden convention. He was complimented on how well he wore his 69 years, and was assigned a not too conspicuous place on the floor of the convention. He was placed on the resolutions committee, and led a futile effort to have the party declare for the guarantee of deposits in member banks of the Federal Reserve System. In fact, he was received just as any other good Democrat, plus whatever additional attention went to him by his having been in the Wilson Cabinet and in the Madison Square Garden fiasco. The convention was to hear from him, however, and from his forty-four votes. A finger of destiny had touched him the minute he landed in his own airplane at the Chicago airport.

An air of expectancy permeated the entire assembly on that first day of the Democratic convention, June 27. It cannot be said that the Democrats were restrained by it; they decidedly were not. They were on their marks during the "keynote" speech of Senator Barkley of Kentucky. They paraded at the least provocation and went wild at the mere mention of prohibition repeal. The convention got over that first day without much controversy.

Trouble, however, started that night in the committees. All eyes centered on the rules committee to see what it would do with the age-old two-thirds rule. Prohibition and all else, including "Kingfish" Long's contest, were forgotten for a while. On this issue Roosevelt and "Stop Roosevelt" forces joined battle. Coming to the convention with an actual majority of the States committed to their candidate, the Roosevelt legions were successful in the first skirmish over the rule. Seeking to change the rule and at the same time to cause as little defection as possible among the Southern delegates, the committee voted thirty to twenty for a resolution proposing retention of the two-thirds rule for six ballots, after which the con-

vention itself should vote whether to continue with the existing order or change to a mere majority nomination. This was presented as a certain cure for a deadlock; there was much fear apparent that Democrats of 1932 would revert to 1924 tactics.

All the persuasion of the Roosevelt stalwarts could not change the position of representatives of the twenty States that voted against the proposal. And in that score of States, figuring defections both ways, were 601 votes against changing the rule. This did not become apparent until some time after the rules committee adjourned, but when it did, the Roosevelt forces, with lightning speed and acting on advice from the Governor in Albany, called off the fight. The rules committee was summoned to a hasty session the next morning to rescind its action of the night before, thus preventing a test on the floor which the Roosevelt forces calculated they would lose.

The Roosevelt cause was at ebb tide when the convention met for its second day. Bitter feelings had been stirred up by the two-thirds rule contest, and talk of bolting among the Roosevelt delegations was heard. A turn came in mid-afternoon, however.

Brought back into control after what one writer termed "syndicate leadership," the Roosevelt hosts hit hard. They seated the "regular" delegations from Louisiana and Minnesota by votes of 638¾ to 514½ and 658½ to 492¾, respectively, thus adding to the actual voting strength of Roosevelt delegates, and elected Senator Walsh of Montana permanent chairman over Jouett Shouse by a vote of 626 to 528.

Up to this stage of the convention little had been heard of the platform. While prohibition had been the only question of active interest at the Republican meeting, it was so far hardly mentioned among the Democrats, and when the convention now turned to its resolutions committee it found it unable to report. As in the case of the Republicans, the Democrats were hung up over the prohibition plank. The convention decided to wait in session until the resolutions body could report. Broadway entertainment was called upon to keep the delegates amused, but the convention finally had to recess until a night meeting.

The Democratic platform, shortest in the annals of the party, was born late in the day of Wednesday, June 29. It was carried before the convention by the chairman of the resolutions committee, former Senator Gilbert Hitchcock of Nebraska. Its every paragraph was applauded, from its opening statement blaming Republican policies for the present economic plight, through sixteen of its short sections. When the seventeenth was reached, and Mr. Hitchcock read: "We favor the repeal of the Eighteenth Amendment," the great hall seemed to explode with a burst of cheers. Delegates leaped high from their places and landed on the march in the largest demonstration of the whole convention.

The former drys of the party offered a minority report. They asked that Congress propose an amendment repealing the Eighteenth Amendment, with no commitment of the party as to how the States should vote and with no provision for immediate modification of the Volstead act. Two hours' debate followed, but no Democrat took the rostrum to defend the present order of prohibition. It was during this debate that the convention got its first official glimpse of Alfred E. Smith, the standard bearer of 1928. A great outburst of applause greeted the "Happy Warrior" when he arose to defend the majority report. Another candidate, Governor Ritchie, also addressed the convention in behalf of the repeal. The plank was adopted by a vote of 934¾ to 213¾, thus establishing the Democrats as the party of outright "repeal."

On the following day, Thursday,

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The Scandals of New York

By JULIAN S. MASON
Editor-in-Chief, The New York Evening Post

IT is the habit of Americans to permit their city governments to fall into the lowest forms of political corruption and then to jerk them upward to comparative decency by outbursts of investigation and reform. In the Winter of 1930 and 1931 the logic of affairs seemed to make inevitable another of these periodic checks upon the administration of the government of the city of New York. In March 1931, therefore, the Legislature of the State at Albany put through a resolution providing for such an inquiry. In the year that has followed, there has been etched the picture of the municipal political system that faces the citizens of New York today.

There are those who think that it may be the last of the great investigations, because, after each investigation, corruption, takes warning and digs itself more deeply in. As in warfare, defensive armor has developed to meet the lessons learned under the last heavy attack. Graft is not as raw as it was in the days of Boss Tweed, or as it was years later in the investigation of New York's government by the Lexow legislative committee and that fearless clergyman, the Rev. Charles H. Parkhurst. The next investigation will almost surely not have at its command the main weapon employed by this one. There will be no bank accounts to subpoena into court. Transactions will more than ever be in cash; bank accounts will be kept abroad, where no demand by an American Legislature can produce them.

These fundamentals were not understood by the public a year ago when the agitation culminated for an investigation into the conduct of New York City affairs by Tammany Hall, the Democratic organization which has controlled the city, with short interruptions, for almost three-quarters of a century. But the public conscience was shocked in 1930 by the revelation of corruption in the magistrates' courts where justice is dispensed most directly to the people.

The Republicans took the issue to Franklin Delano Roosevelt, the Democratic Governor of New York. Though they had control of both chambers of the Legislature they asked him to demand of that body an investigation of the Democratic city government centred in Manhattan's old City Hall. He refused, with a show of propriety and an evasion of active moral leadership that has cost him so much thoughout the whole course of the investigation. However, he said that he would approve such an investigation and sign the appropriation bill for it, if the Legislature should present it to him. This was done on March 24, 1931. Two weeks later the investigating committee was named with Senator Samuel Hofstadter, Republican, of New York City, as chairman. It was made up of a majority of Republican Senators and Assemblymen, and a minority of Democrats chosen by Tammany Hall, the institution that was actually to be investigated. Those Tammany men, throughout the whole investigation, instead of representing their State as investigators, have thrown every possible obstacle in the path of the inquiry.

On April 8 the committee chose its counsel—always the most important element in these investigations. For instance, Charles Evans Hughes, now

Chief Justice of the United States "made" the New York life insurance investigation and his own public career when he took charge as counsel for the Armstong committee at the turn of the century. The Hofstadter committee immediately appointed as its counsel Samuel Seabury, who has had complete control of the course of the investigation. It was so nominated in the bond. He refused to take the job until given an absolute guarantee to that effect by the Republican majority of the committee at the behest of the Republican State Chairman, W. Kingsland Macy. A lawyer of the highest standing, a former judge and, a strong, if defeated, candidate for the Governorship of this State, Mr. Seabury could not be expected to undertake the responsibilities of such a task without the power to accomplish it.

Judge Seabury gathered about him a group of young lawyers of the highest degree of ability and civic patriotism. Their relations with him have been marked by a complete frankness, an unfailing eagerness and an absolute devotion. It is my prediction that our political life will eventually hear from these young men to its own advantage. They were ready and willing to undertake the dry-as-dust examination of bank books, vouchers, accounts, city records and miscellaneous documents of volumes vast enough to appal the stoutest heart. He subdivided these public-spirited youngsters into teams. Each team was assigned to inquire into each office or officer in the city government. It is my opinion that so well does modern political corruption cover itself that only the keenest intelligence and the most unflagging effort—plus luck—could have uncovered what they have uncovered. What they have missed may be—must be—far larger than the purely legal evidence which they have presented.

With this little army around him, Judge Seabury in June, 1931, started the long march which was to end a year later when, just before the Democratic National Convention, he filed with Governor Roosevelt a record and an analysis of the evidence against the fitness of James J. Walker to remain in office as Mayor of New York. Under the city's charter the Governor has complete power to remove the Mayor from office. Presentation of the evidence in the case lies in the hands not of the committee but of the committee counsel or of private citizens. Under the law, all that the committee has to do is to report to the Legislature by January, 1933, its findings and its recommendations for changes in the city's charter.

It was inevitable that Seabury's march should lead him to Mayor Walker's door. The committee's commission was "to investigate, inquire into and examine * * * the conduct of the municipal government of New York." The Mayor personified that government. His leadership of the defense stood out as clearly as did Seabury's conduct of the offensive. Walker was the Mayor of New York, twice elected to that almost national office, the second time by an overwhelming plurality. He was also Tammany Hall; that is to say, he had defeated "the new Tammany" of former Governor Alfred E. Smith and had established his friend John F. Curry as boss. Walker had had long legislative experience as Democratic leader in the Senate at Albany. He was a picturesque and charming figure, known all over the United States and Europe as the very personification of New York. Indeed, he is today as nearly an exact representative of his city, with all its strength and weaknesses, as our system can produce.

Seabury laid siege to Walker in a manner new to the annals of these investigations. We might call it the "encircling" method. That is to say, the attack was begun on the outlying areas of the citadel. He started at once the invesigation of "every city

department and bureau having discretionary power in granting permits or licenses." Along these avenues the simpler forms of graft, if any, were obviously to be found. I do not mean that this graft was small; on the contrary, the evidence showed it to be vast, in the aggregate. This outer circle once established, Seabury moved toward the inner circle where far greater sums were collected through the more subtle use of political power for private gain. He sought to show that more important city officials and more influential leaders of Tammany Hall were guilty of practices defeating a fair and proper management of municipal affairs. This inner circle established, he next moved aganst the boss and ex-boss of Tammany Hall, Curry and George Olvany. Then, finally, he came to the Mayor himself. It was as if Judge Seabury had reversed the processes of nature by which a stone thrown into a calm pool produces rings of wavelets growing wider in circumference. He took the waves and drove them inward, ever inward, until they beat upon the spot where the troubling of the waters originated.

The calendar of the investigation does not show, to revert to the original figure, that the sapping and mining operations were always conducted with equal success. Sometimes, as in war, one part of the line would create a salient in advance of the rest. But, in the main, the record shows that the commander-in-chief conducted, in an orderly and regular progress, his encircling attack and drove it home, at the last, with the shock troops of culminating evidence.

All through the Summer of 1931 the outer circles were under an investigation. Judge Seabury's young men brought forward facts—and startling and scandalous facts they were, too—about strange happenings in the Department of Purchase; about building permits and dumping permits; about the dance-hall "racket"; about violations of fire rules; about gambling in political-social clubs; about taxicab graft and all the lesser malpractices of the Tammany system.

In one of the hearings before the Hofstadter committee Judge Seabury said: "In every department we are going into * * * you will find public officeholders with large funds as to which they are unable to account by any reasonable explanation. * * * Your Honors will see many representatives of different departments, these amazing creatures who take the stand, admit sums of this kind and give you a cock and bull story that is just as amazing as they are." On the other hand, Samuel Untermyer, speaking for the Tammany war board, answered this in *The New York Times* in December, 1931, when he said: "Assuming that there is much that is suspicious and unbelievable, there has been no crime or concrete ground for removal uncovered. The trouble with Judge Seabury's method is that he apparently does not bore deeply. He skims the surface and then skips from one subject to another, with everything left to conjecture. You cannot remove from office, much less indict or convict men on mere suspicion and inference."

Nevertheless, Governor Roosevelt, in the most bravely moral action that he has taken in connection with the investigation, did actually remove from office Sheriff Thomas M. Farley on "suspicion and inference." The Governor laid down the sound rule of public policy that a public official cannot be free of suspicion of improper conduct when he cannot explain large sums of money deposited in his bank accounts far above his official salary. Mr. Untermyer, too, did not see or did not admit the cumulative power of the encircling evidence which he described as skimming and skipping.

During that first Summer of 1931 Mr. Seabury's circle of evidence, narrowing inward, produced, as I have

said, salients where the advance was more rapid than the general pace. These salients were the preliminary connections of Mayor Walker with the bus franchise of the Equitable Coach Company and of his financial relations with his financial agent, Russell T. Sherwood; there was also the introduction of the name of former Tammany Chief Olvany in connection with dock leases and rulings from the Board of Standards and Appeals; there was, thirdly, the appearance of Mr. Curry, Tammany's present chief, as a participant in the effort to prevent the Hofstadter committee from getting the testimony of William F. Doyle, a veterinary surgeon with marvelous influence upon the Board of Standards.

The committee began the investigation of the Equitable Coach Company's activities on July 10, 1931. As the use of the automobile had increased in the city, it had been becoming more and more evident that the traffic-blocking, slowly-moving outworn trolley car system would have to give way to the modern motor bus. The city had been startled some months previously when Mayor Walker had gaveled through the Board of Estimate a franchise for the Equitable Coach Company which was afterwards disallowed by the Transit Commission. Therefore, when Judge Seabury announced that he would begin taking "private testimony" on the granting of this franchise, people knew that he would eventually ask Mayor Walker why this company had been preferred above others which offered larger cash guarantees, more buses and longer routes of service. He did so, in the climactic phase of the investigation, when he put Mayor Walker on the witness stand in May of this year. "Private testimony," by the way, meant the testimony given by witnesses *in camera*, before Judge Seabury and his associates. Under the rule adopted, this testimony had to be brought out again in the open hearings before it could be put into evidence.

The Olvany salient was created mainly by what came to be known as the "dock cases." The North German Lloyd wished to rent one of the city-owned piers. Although the company's attorneys testified that such a thing was unnecessary in any other city in the world, it felt itself compelled to hire a political go-between, William H. Hickin. The company was assured that David Maier, a close friend of Mayor Walker and a companion on his last trip to Europe, had to be approached. Maier, it was testified, said that the matter could be arranged for $2,500 or $3,000, but that Hickin would have to be retained as attorney. It eventually cost the steamship line $50,000 before it could even have its application placed before the Dock Commissioner, to whom the city's charter requires that it go first.

"Running through that condemnation proceeding we find, back-stage, the Honorable George W. Olvany, then the leader of Tammany Hall." So said Seabury in his formal Intermediate Report to the Hofstadter committee, on Jan. 25, 1932. Seabury also found back-stage Traugott F. Keller, Chief Engineer of the Department of Docks. Keller, after his "private testimony," and while on his way to further investigation, "either fell or was pushed in front of a subway train and was killed instantly." It is also shown, in Exhibit B 16 of this report, that the bank deposits of Mr. Olvany's law firm between 1925 and Nov. 5, 1931, totaled $5,283,032.19. A footnote adds: "The deposits quoted above represent only a part of the income of the firm; some of its fees are not included in its bank accounts." Judge Seabury summarized the North German Lloyd case by saying that it is "evidence of the subtle system by which graft is now extorted, to wit, the interposition of a lawyer to whom the money is passed under the guise of legal fees."

Before I leave the "dock cases" I must add a picture of one of its features that showed Judge Seabury's intent to make the investigation as nonpartisan as possible. He called to the stand E. C. Carrington, president of the Hudson River Navigation Corporation, then Republican candidate for the presidency of the Borough of Manhattan. He ruined Carrington's chances of election by compelling him to admit that in his company's negotiations over the condemnation proceedings on the North German Lloyd pier site he had secretly retained the law firm of Olvany, Eisner and Donnelly, of which Judge Olvany, then leader of Tammany Hall, was senior partner. "I quite approve," testified Mr. Carrington, artlessly, "of the idea that the head of Tammany might be quite helpful to the company in this situation." It is quite possible that Mr. Carrington's artlessness, rather than his willingness to deal with a rival and corrupt political organization, was the reason for his devastating fall in the eyes of the voters. At any rate, the voters in New York defeated him, and have since shown as little "moral indignation" over the Seabury disclosures as has Governor Roosevelt himself.

The third salient again involved the Olvany law firm. It also involved Mr. Curry, present boss of Tammany Hall. It further involved the eight years' deposits of $1,007,367.72 made by Dr. Doyle, the humble veterinary surgeon, mentioned above, whose main "practice" appears to have been before the Board of Standards and Appeals. He took his fees from this practice and deposited only a portion of them. He admitted "splitting" his fees but, as Judge Seabury's report says, "except in a few minor cases he says he does not remember with whom." Judge Olvany testified that while he was Tammany leader he used to ask the Chairman of the Board of Standards to come up to Tammany Hall and talk over the cases with him. He declared that he never discussed cases in which his own law firm was interested. Judge Seabury reported to the committee, concerning the latter statement, "I do not accept it as credible."

As in all American prosecutions, the law or the courts or the rules of court practice constantly interpose barriers to benefit the pursued and handicap the pursuer. The contempt case of Dr. Doyle I take as the best example of this, because of its revelation of the back-stage connection between organized politics and the judges that it nominates. Doyle refused to testify as to whether he had bribed a public official. He based his refusal on the fear of self-incrimination. He persisted in this refusal, although the committee voted him immunity. The Hofstadter committee then cited him for contempt and Supreme Court Justice Black sentenced him to thirty days in jail. Doyle's lawyers arranged with Justice Harry R. Sherman of the Appellate Division, by telephone to the latter's home at Lake Placid, N. Y., to grant a stay and a release on bail. Seabury was not given a chance to be present at this hearing, previous to which it was established that a telephone call was made from Mr. Curry's New York apartment to Judge Sherman's Lake Placid home.

Mr. Curry on Aug. 14, 1931, admitted the telephone call. He said that he made it because he was "interested in any Democrat in the great city of New York," and that he had been "expecting some one to test the committee's powers to grant immunity." Justice Sherman's stay was only a matter of a few days, as the Appellate Division soon upheld Doyle's sentence for contempt. When this decision was taken to the Court of Appeals this highest tribunal of the State of New York sustained the contempt sentence, but held that the committee had no right to grant immunity without an act of the Legislature. Thereupon, the

Legislature, called into special session by Governor Roosevelt, granted this power. At the cost of long delay and of many, many thousand dollars to the taxpayers, we thus see the committee allowed to proceed on the plain and just course laid before it. And we see Justice Sherman absolved by the Bar Association of any impropriety, though the intervention of Mr. Curry was described as "unfortunate."

"The truth of the matter was," Judge Seabury reported to the committee, "that the political organization with which Doyle had had his relations was taking up the cudgels when an exposure of those relations was threatened, particularly when there was danger that continued incarceration might weaken Doyle's resistance to this disclosure."

In the meantime the outer circles of evidence were being steadily built by Judge Seabury. On the theory that repeated instances of the receipt of large and unexplained sums of money by lesser officials must lead inescapably to the conviction that there was something wrong with the system and the higher officials who appointed them, he laid bare with deadly accuracy these "money mysteries" in the affairs of successive appointees of Tammany Hall. He made Sheriff Thomas M. Farley testify that his unexplained bank deposits of $365,000 came mostly from two "wonderful boxes" in his home. Farley and Culkin, his predecessor in office, were afterward indicted for grand larceny in appropriating the interest on public funds put in their charge. The juries refused to convict, but Governor Roosevelt, on the high grounds of public morality, which I have stated above, removed Farley from office.

Farley was the head-liner in this performance. After him came James A. McQuade, Registrar of Kings County, who testified that most of his bank deposits of $547,000 he had borrowed to support his family—"the other thirty-three McQuades." Next came Harry C. Perry, Chief Clerk of the City Court, who said he "probably had won some bets," in trying to explain deposits of $135,000. Next came Michael J. Cruise, City Clerk, with deposits of $143,000. There was the marriage clerk, McCormick, the Under-Sheriff Curran, and a long line of political leaders and city officials with incomes beyond their salaries—large and unexplainable.

Through it all ran the committee's search for Russell T. Sherwood, who, testimony showed, had rented a joint safe deposit box with Mayor Walker. There is a sizable list of these missing witnesses. Judge Seabury in his report mentions especially Charles Brady, Superintendent of Buildings in Manhattan, and John O. Lewis, Chief Engineer in the same office. It took weeks to bring into court State Senator John A. Hastings, close friend of Mayor Walker, and the main figure in the Equitable Coach Company negotiations. Sherwood they never did bring to court. He was last heard from when a correspondent of *The New York Evening Post* discovered him in Mexico City. The absence of his testimony must be held in mind in weighing the probable guilt or innocence of Mayor Walker in his duel on the stand with Judge Seabury.

This final encounter began on the morning of May 25, 1932, in a court room in the octagonal court house of New York County, which was once a nine-day architectural wonder in this brilliant and beautiful city. The Hofstadter committee filled a broad dais usually reserved for a judge alone. Seabury leaned easily against the rail to the left. Directly in front of him Mayor Walker, without ceremony, slipped into a raised armchair, called the witness stand. To Seabury everything seemed to be an easy, everyday matter. To Walker everything seemed to be a fighting ground. Seabury, with a charm, in its own way as strong as

Walker's, looked blandly off into space. Walker, squaring his shoulders, with his elbows half thrust out, as his imitator does in filling the part of John P. Wintergreen in the musical comedy, *Of Thee I Sing,* darted anxious eyes here and there over the room. He was not a lion at bay; he was a silken panther, seeking his friends and his enemies before he joined the inevitable battle.

The battle was joined. Seabury faced Walker with a piercing questioning upon the fifteen "conclusions" which on June 8, 1932, he presented to Governor Roosevelt as possible reasons "that the Honorable James J. Walker should be removed from the office of the Mayor of the city."

The first conclusion was that the Mayor had accepted thirty-three bonds valued at $26,000 from J. A. Sisto, who was interested in having New York City limit the number of taxicabs operating within its limits. Then followed evidence that the Mayor, in violation of the city's charter, owned ten $1,000 bonds of the Reliance Bronze and Steel Corporation, which sold the city 104 traffic light standards. The strange awarding of the Equitable Coach Company franchise was a subject for the keenest interchange between the two duelists. Seabury, suave, well dressed, well mannered, asked his questions with Jove-like calm. Walker was slanging his interlocutor under his breath, as a baseball coach, back of first base, tries to rattle the pitcher. Walker wise-cracked and was cheered. He made stump speeches and was cheered. He uttered flat denials and was cheered. Seabury was cheered only once, when he lashed out at the Tammany claque which did the cheering for Walker.

Yet Seabury pursued relentlessly his encircling tactics. Despite Walker's denials, he brought out evidence to show "that the Mayor improperly made possible and facilitated the purchase of three hundred shares of Interstate Trust Company stock," an "inside" favor which apparently benefited the promoters of the Equitable bus franchise. Seabury showed that a letter of credit for $10,000, to finance the Mayor's trip abroad, was purchased by J. Allan Smith, an Equitable promoter, and that Smith "took care of" an overdraft of $3,000 made in the Mayor's name. He showed the Mayor receiving large "beneficences," amounting to from $10,000 to $246,000 from people whom his Honor explained had been merely his "friends."

The Mayor spent two days on the witness stand. Then, with great promptness, Governor Roosevelt requested and obtained from Judge Seabury the whole evidence in the case, and an analysis of it. This received, he appointed two attorneys to advise him as to the interpretation of thousands of pages of testimony. He then called upon Mayor Walker to answer the charge. To the surprise of most politicians, the matter then went over until after the Democratic National Convention. It is not yet clear whether, in the convention, Tammany did or did not withhold its votes from Governor Roosevelt's Presidential candidacy because of the Seabury-Walker inquiry.

As I write these lines, the Governor has not yet made his decision. It seems to me that it is quite possible for a lawyer's mind to build up a legalistic case upon which the Mayor need not be removed from office. But it also seems to me that no man with a sense of the proprieties of office and with a capacity for moral indignation can read this record of Tammany Hall without believing that some one should be punished for it. At any rate, it is believed by the deeper student of our municipal government that if the Seabury investigation does not lead to the removal of Mayor Walker, we might just as well hand Tammany a blank check and look forward to never having an investigation again.

German Capitalism at a Dead End

By HERBERT J. BURGMAN

[Mr. Burgman, a native of Minnesota, is a graduate of the University of Berlin and the author of *Die Agrarkrisis in den Vereinigten Staaten*. He has been a resident of Germany for the past twelve years.]

CAPITALISM in Germany has come to a dead end, but it has not broken down, as many thought when the government in December last decreed a 10 per cent reduction of prices, wages and rents; the right to cancel leases; a moratorium on mortgages until Dec. 31, 1933, and lower interest rates on private debts yielding over 6 per cent. Ever since the war, rents have been fixed by law, with housing accommodation allocated by priority of registration; since 1923 wages have been regulated by the government; and since 1925 prices have been indirectly determined by the tariff.

Nevertheless, profound changes have been taking place in German economic life and, as we shall see, in one sense it is quite true that capitalism no longer exists in Germany as it did during the nineteenth century, the only period when it flourished in its pure and unadulterated form. Even a generation ago German capitalism was already losing some of its chief characteristics. Today it still retains its profit-seeking motive and still pushes forward along the path of the technological revolution, but with this enormous difference—that it is no longer individualistic and free, but collectivized and restricted in every direction. A system of protective tariffs, monopolies, subsidies and socialization of losses has superseded free competition and individual risk. Those are the outward signs of the crisis which German capitalism has reached.

German business men themselves were the first to undermine the German capitalist system. Long before the war workmen were deprived of the right of collective bargaining, while manufacturers were organized into cartels to eliminate competition. The government encouraged this movement, and during the war even compelled the formation of cartels. After the revolution of 1919 the cartels organized the Federal Association of German Industry, which continued to dictate economic policy—except as regards the workmen, who were more or less protected by the new Constitution.

Firms belonging to a German cartel remain legally independent, but are able to exercise collective control of the market by restricting production to quotas and by fixing prices. Marketing is often left to the central office of the cartels. Prices are usually based on the cost of production in the most inefficient plant plus a profit, although they are sometimes set on a lower scale, and then the cartels subsidize the weaker plants. The cartels thus tend to save all members and prevent the healthy weeding out of the inefficient, with the result that during a crisis efficient and inefficient concerns go into bankruptcy arm in arm. The formation of cartels is not entirely voluntary on the part of manufacturers, but is in part dictated by economic forces. Capital concentrated in giant undertakings makes the risk of free competition so great that many manufacturers prefer to help support a few obsolete plants than to stand by themselves and take the chance of being wiped out—with a consequent waste of capital. When unbridled monopolies are

controlled by cartels, however, there is danger of other wastes.

Consider the case of the Ruhr Coal Syndicate. Like most cartels, it bases the quotas of its member firms on their potential capacity of production. To obtain a larger quota, coke producers enlarged their plants. In 1926 there were 16,200 coke ovens with an annual capacity of 28,000,000 tons. In the following three years 4,000 new ovens with a capacity of 16,500,000 tons were added. Although the potential production greatly exceeded the demand and the volume of trade was rapidly declining on account of general conditions, 181 ovens with a capacity of over 1,000,000 tons were erected in 1930. The quotas were increased nominally from 26,500,000 tons to 42,000,000 tons, but there was not a market for this output. Consequently the quotas were lowered to correspond with the actual demand. In 1931 there were times when only 16 per cent of the quota could be sold. Many ovens were not intended for operation, but were built merely to obtain a higher quota and were then closed down. The *Frankfurter Zeitung* estimates that over $75,000,000 was wasted in the erection of unnecessary ovens alone.

The cartelization of industries subject to competition from outside Germany would be ineffective without a high tariff, and this was not lacking. With tariff protection and by limiting production, the cartels were able to maintain high domestic prices amidst a world depression. In April, for example, German domestic coal prices were from 7 to 27 per cent, printing paper about 2 per cent and cement from 18 to 31 per cent above pre-war levels. Iron prices are still higher than before the war and double world market prices. Domestic consumers have found it increasingly difficult to pay these prices, with the result that the decline in consumption has led to a continuous decline in production. From 1928 to April, 1932, total industrial production in Germany declined 44 per cent.

Whereas cartels throw the burden of their losses upon the nation by obtaining indirect subsidies through tariffs, other industries are subsidized directly. The most costly of these direct subsidies was in the building trade. German States and cities financed the building of dwellings and even guaranteed the firms a percentage of profit on the cost of construction. This method naturally encouraged waste, the extent of which may be seen from the fact that from 1925 to 1931 nearly $5,000,000,000 was spent for dwellings. During the same period $3,500,000,000 went in erecting public buildings, while the expenditures on industrial building amounted to only a trifle more.

Smaller branches of German industry have received correspondingly smaller subsidies. The Mansfeld Copper Mines are paid $2,000,000 annually, although operating costs exceed receipts by $150,000 monthly. The I. G. Farbenindustrie is granted tax exemption for synthetic benzine. Cigarette factories have never paid up their taxes. The Deutsche Luft Hansa, Inc., depends upon subsidies. The shipbuilding companies are aided by the seaport cities. And so the story goes. All this was during relatively good times. After the depression set in the subsidizing of industry became the chief function of the government, which ceased to make public the amounts thus paid out. But a general idea of their magnitude can be gained from a statement made by Chancellor Bruening last Winter: "We had to jump in and support the banks and help individual industrial concerns to an extent far beyond that which we wished and far beyond that which is known to the public."

German agriculture is also subsidized. Here, as in industry, certain groups are favored, while others bear the burden. To aid 12,000 landlords in East Prussia the nation is burdened

with a sum, in the form of tariff subsidies, equal to the cost of Germany's entire food requirements at world market prices. These landowners produce a single crop, rye, and to maintain high prices a tariff system was adopted which benefits them not only at the expense of industry but also at the cost of the farmers producing quality products. The price of wheat and rye in Germany is several times what it is in the United States. To compel other farmers to use rye as feed a high duty was placed on imported feeds. Corn, which sold for 31 cents in the United States in April, cost $1 in Germany, and similar prices prevail for other feeds. On the other hand, butter, which is produced on small and medium sized farms, was 24 cents a pound in April, or only 2 cents more than in the United States.

In spite of this discrimination, the small farmers manage to earn a profit, though small, while the big landlords must be continuously aided not only by the tariff but also by numerous other forms of relief. Recently another government loan of $125,000,000 was granted. It will probably never be repaid, for these landlords have never supported themselves and have always depended upon State charity. Before the war they were the landed nobility and the special protégés of the Kaiser. With the establishment of the Polish Corridor, East Prussia again received the special attention of the government, for political reasons.

The government's policy toward labor had necessarily to be in line with its assistance to industry and agriculture. Industrial and agricultural prices are fixed indirectly by the tariff; wages are fixed directly by government officials. By restricting sales on the domestic market the cartels hold prices at the highest level made possible by the tariff; workmen cannot accept less than the collective wage agreements prescribe. The counterpart to subsidies is unemployment relief. The unemployed were cared for by the Public Unemployment Welfare Service of the cities until 1927. Since then unemployment insurance has protected them—originally for thirty-nine weeks, then for twenty, and now for only six. Thereafter the cities must support them as prescribed by law.

Unemployment in Germany has increased from about 1,000,000 in 1924 to over 6,000,000 last Winter. Between Jan. 1, 1924, and July 31, 1931, the total amount of money paid to the unemployed was about $2,500,000,000, of which more than half was contributed by the Reich and the cities. This increase in unemployment has been mainly due to the enormous gains in the productivity of labor and capital in a few short years. At the same time no new large-scale industries have been established, while exports have been shut out by industrial development in overseas agrarian countries.

More pertinent to the question of what is happening to German capitalism is the fact that the government has gone into business on an enormous scale. A year ago 20 per cent of the capital stock of corporations was government-owned, and now the percentage is higher. The Reich has a complete monopoly of the railways; the Postoffice Department owns the telegraphs, telephones and broadcasting stations, and practically all cities own their local gas, water and electric works, street-car and bus lines. The railway monopoly is protected by restrictions on privately owned motor-truck lines; the interurban bus lines are operated by the Postoffice Department. The State of Prussia owns 18 per cent of all hard-coal mines in its jurisdiction and produces 10 per cent of the coal; government mines produce one-fifth of the iron ore. Many farms and half of the forests are publicly owned. All larger cities own one or two theatres, at least one bathing establishment and a number of hospitals.

About 53 per cent of the banking

business was in the hands of the Reich, States and cities before the bank crisis of 1931. Only the large chain banks and a few small banks were still privately owned. Today, the Reich, because of last year's support, owns three-quarters of the stock of the Dresdner Bank and participates in the management of the other chain banks. The Deutsche Bank alone required no support.

Foreign trade has lost its free capitalistic nature, not only through tariff restrictions but also by restrictions on the movement of money. The German Government, like many others, requires all inhabitants (also foreigners residing in Germany over six months) to surrender their foreign currency, bills of exchange and foreign bank accounts, part of which in turn it rations among importers. In June importers were allowed a sum in foreign exchange equal to 27 per cent of their imports two years ago, and government regulation of what may be imported is increasing.

Foreign private debts constitute an abiding threat to the German currency and whole German economic system. The creditors demand payment but refuse to take German goods. If this policy is continued the international payment balance cannot be readjusted. In 1932 Germany must pay 819,000,000 marks interest on long-term loans. This increases to 827,000,000 in 1937, and will not fall below 700,000,000 until after 1940. This year, also, Germany must pay 800,000,000 marks on short-term debts. Germany's trade balance has been sufficiently active to meet obligations after a fashion, but exports are falling rapidly and it is uncertain how long foreign nations will purchase German goods. Furthermore, many of the commodities exported are sold at prices below cost and represent a loss to Germany.

Chancellor Bruening, before he was dismissed by President von Hindenburg on May 30, tried to bring about a balance between industry and agriculture by extensive domestic colonization. The "industrial reserve army" of the cities was to be assisted in establishing homes and truck gardens within reach of part-time industrial employment, and the flow to the cities of surplus farm population was to be checked by energetic application of the Homestead Law of 1919. This creation of homesteads meant the purchase and splitting up of estates of the 12,000 East Prussian landlords. The landlords have always demanded and received under the Homestead Law land prices based on the value which the land has as a result of the billions of marks of annual national subsidy. But this price is too high for small farmers who receive no assistance and are burdened by duties on imported feed. Yet, although the land has been paid for with subsidies several times over and would be worthless to the landlords if the subsidies were discontinued, Chancellor Bruening was willing to have the homesteaders pay a reasonable price.

By populating East Prussia with a large number of small farmers, who would be able to make a small profit and even to pay taxes if land prices were reasonable, the government planned to relieve the remainder of Germany of the East Prussian burden, to find an outlet for the surplus population, to establish a dam against Polish settlement in East Prussia and to create a market for local industry. The President disapproved of this and Bruening was relieved of his post. The present Chancellor, Baron von Papen, is a friend of the landlords, and this piece of economic planning has, therefore, been suspended. But it must be undertaken eventually if Germany is to regain its economic and political power. So far the von Papen Cabinet has merely decreed an increase of taxes on all wages and salaries below $175 per

month, a tax on salt of 1½ cents a pound and taxes on sales of less than $1,190 annually (hitherto exempt). The decree also reduces the unemployment insurance and public welfare benefits. Food prices remain as heretofore.

In Germany the belief prevails that under the present system the direction of private business by government decree cannot continue. On the other hand, the German economy, as it is organized today, is unable to adjust itself. The automatic correctives of the capitalistic system no longer function. If the government should attempt to dissolve the cartels they would most probably find other means of carrying on their monopolistic practices. Even if they could be dissolved, individual firms would increase production, with the result that most of them would become insolvent and the situation would grow worse. The chain banks operate according to regulations issued from headquarters; any one who can furnish security receives a loan, and the overexpanded cartels receive special attention. Credit is no no case granted on the basis of the needs of German business as a whole, even if the bankers knew what those needs are, which they do not.

If this analysis of the present situation is correct, the future economic system of Germany must assume one of two forms: either it must return to a genuine capitalism, or the present system will be brought to its logical conclusion and be entirely reorganized according to a rational plan.

The return to capitalism does not depend only upon Germany. It rests also upon the two measures that can be adopted by other countries. First, the peace settlement of 1919 must be replaced by a new treaty which will liquidate war debts. Second, tariffs throughout the world must be lowered. Liquidation of the war debts alone would be insufficient, though it would restore confidence in international trade, cause capital to flow to countries which need it, induce capitalists in Germany to put their money back into business, and lessen unemployment. But Germany as a whole would not be much better off than she was in 1926-28. During those years confidence was more or less restored in international trade; yet Germany had about 2,000,000 unemployed, with the number increasing, while the middle class was rapidly disappearing and business was gradually being strangled by cartels, by wage-fixing and by the government's agricultural policy. These restrictions on business were possibly only behind a tariff wall.

The ideal solution would be a return to the pre-war times when Europe exploited the overseas agrarian countries, but that is hardly possible. Some believe that as an alternative Europe should form a customs union, or at least that those European countries which seem more or less to adjust themselves to one another economically should form regional unions. This might bring temporary relief, but the political uncertainties are too great for economic recovery on this ground alone, and, furthermore, the economic possibilities of such a plan are limited. So far international negotiations toward removing trade barriers or establishing a customs union have been unsuccessful, and the nations have thereupon shut themselves off from each other more effectively than before. Will new attempts be more successful? If they are not, the days of capitalism in Germany are indeed numbered.

The only other hope for Germany is central planning. Planning has, in fact, passed the academic stage in Germany and is extensively applied, as is evident from what has already been said. However, it has been faulty and has lacked thoroughness. The Nazi party has recommended a system of economic planning which has widespread support throughout the

Reich today. At present German industry depends on exporting 40 per cent of its output. The Nazi economic plan would balance the various branches of industry and agriculture on a domestic basis, insteady of relying upon an international balance. To insure consumption, the social product would be more equally distributed among all classes and sections of the people. The Nazi scheme emphasizes domestic mass consumption, and this could be attained only if the entire economy—production, marketing and consumption—were controlled.

Foreign trade would be under government supervision, and Germany would export goods in exchange for the raw materials she needs and for the finished and semi-manufactured goods she cannot produce economically. It is hoped that many imported raw materials will soon not be required, that synthetic benzine will replace imported gasoline, and that substitutes will be found for imported metals.

With regard to agricultural products Germany would be practically self-sustaining under a planned economy. This condition could be quickly accomplished by using the Friedrich Bergius process of making sugar and other carbohydrates from wood. Only a part of the waste wood in German forests would be required to produce all the feed for cattle and the sugar that the country needs. The area now used to grow sugar beets and feed would become available for such products now raised in insufficient quantities, and Germany would lack only tropical and subtropical products. The Bergius process is not exploited at present because it would ruin thousands of sugar beet growers. Under a planned economy the government would introduce revolutionary inventions, but would reorganize production beforehand, and if necessary, assist those affected by the necessary readjustment. In industry many revolutionary inventions are locked up in safes because they would reduce costs to a fraction and thereby wipe out private profits on existing investments, which are necessary under the capitalistic system.

The Nazi scheme of industrial reorganization has as its initial object the elimination of the present waste of labor and materials by large concerns. There would be compulsory work for every one and the practice of discharging men when business is slack would no longer be permitted. Furthermore, the Nazis look forward to the decentralization of capital in order to prevent the massing of people in large cities. Although the location of raw materials, labor and markets and the technical efficiency of plants would be considered, production would be decentralized, even if it became thereby less efficient, for the spiritual welfare of the people. Greed and the private profits of so-called "successful" individuals are to be stamped out. The banks would be government-owned, and interest abolished. Of capitalism there would then remain only its technology.

Apart from economic forces the change from one system to another depends upon the will of the people. In Germany the adverse economic conditions of the past fourteen years, and more especially of the past three years, have caused the desire for a change. The younger generation of Germans was robbed of its youth. Large numbers of professional men, technicians and skilled workers are out of work. Unemployment and no future even for the employed—that is the situation in which the people of the German middle class find themselves today. What is more, they realize that under the present system there is little chance of their improving their position. Little wonder that millions of German citizens are ready to dispense with their capitalist system.

BERLIN, June 21, 1932.

The World's Shifting Gold Reserves

By D. W. ELLSWORTH
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THE explanation of the breakdown of the gold standard in many countries, together with the antecedent and subsequent international gold movements, is at once simple and complex. Immediate causes fall glibly from the tongue of any one who has followed post-war financial developments with reasonably close attention, but probably not more than a dozen persons in the world understand, with any degree of thoroughness, the underlying causes, and even in this select group opinions differ amazingly. Some of the world's most famous economists are members of the Gold Delegation of the Financial Committee of the League of Nations. Yet after studying the problem for years before and after the breakdown, they are unable to agree either as to causes or remedies. Witness some of the causes mentioned by the majority of the delegation in the report issued in Geneva in June:

War inflation;
Post-war deflation;
Subsequent credit expansion and its collapse;
Distrust of monetary and financial institutions;
Wrong choice of currency stabilization levels;
Subsequent economic readjustments, including the relation of internal to external prices, the balance of commodity trade, and the level of wages in relation to prices;
Accumulations of State debts;
Increased international indebtedness;
Shifting of investments from long to short term;
Increased fixed charges of industry;
Falling commodity prices;
The nervousness and flight of short-term capital from country to country;
Changes in demand and supply of international capital;
Careless investment of capital and careless assumption of debt burdens;
Continued instability of a number of currencies—before the recent breakdown;
Variations in domestic business conditions, particularly in the United States, causing rapid shifts in the stream of foreign investments;
Profound changes in the structure and localization of industries, both primary and manufacturing;
Increasing complexity of the processes of manufacture;
Attempts at artificial price control, encouraging overproduction, especially in agriculture and mining;
Resort to government support and economic nationalism;
Tariffs, prohibitions and bounties;
Exchange control and subsidies;
Premature restoration of the gold standard.

In a lengthy note of dissent three members of the Gold Delegation—Albert Janssen of Belgium, Sir Reginald Mant of India and Sir Henry Strakosch of Great Britain — disagreed completely. In their opinion the causes listed in the majority report are not causes at all, but are merely the results of the maldistribution of gold.

To obtain any adequate idea of the extent of this maldistribution—if it is maldistribution—the major gold movements since the beginning of the World War must be taken into account.

The United States during the post-war period accumulated about half of the total monetary gold stock of the world. If we divide the gold movement to and from this country into six periods, we find that in the first, from the end of 1914 to June, 1917, our monetary gold stock rose from $1,807,000,000 to $3,220,000,000 as a

result of gold being the only means by which the United States could be paid by other countries for war materials and other goods. After the war there was an outflow which reduced the gold stock to $2,841,000,000 at the end of April, 1920. Then followed the third and major post-war movement—from April, 1920, to November, 1924, during which the flight of capital from European nations whose currencies were depreciating, together with our persistently favorable balance of trade, increased American gold stocks to $4,527,000,000. It was in this period that the United States acquired practically all the newly mined gold supplies of the world, since all other important countries were off the gold standard.

The fourth movement, which lasted from April, 1927, to June, 1928, saw our monetary gold stock drop from $4,610,000,000 to $4,109,000,000, an outflow which resulted largely from the easy money policy initiated in 1927 by the Federal Reserve Banks for the purpose of assisting foreign central banks to restore and maintain the gold standard. This policy, however, started an unprecedented speculative boom, which attracted capital, and consequently gold, to the United States from all over the world. The resulting inflow carried the monetary gold stock of the United States eventually to its all-time high record of $5,015,000,000 on Sept. 15, 1931.

The suspension of gold payments by the Bank of England in the Fall of 1931 was followed by the final and most spectacular shifting of central bank gold reserves in the history of the world. In this final phase the monetary gold stock of the United States experienced a net loss of $1,106,000,000, until on June 15, 1932, it stood at $3,909,000,000.

The main point of interest, aside from the heavy drain of gold from the United States is, of course, the recent movement toward France, Belgium, Holland and Switzerland. In order to analyze the reasons why gold flowed to those countries in such substantial amounts, it is again necessary to trace briefly certain post-war financial developments.

One of the most important was the adoption by many countries of the gold-exchange standard in place of the traditional straight gold standard. The gold exchange standard means that central banks, instead of keeping gold in their vaults as backing for note circulation, deposits and other liabilities, are permitted to hold the whole or a part of their reserves in the form of bills of exchange on other gold-currency countries.

The gold exchange standard was not new; in fact, it had been in use in a few countries for many years before the war. Its main object was to economize in the use of gold as a basis for credit, but its post-war development was, to a greater extent than before, facilitated by fears of a gold shortage and, more specifically, by the recommendations of the economic conference of the European States at Genoa in 1922 which advised the adoption of the gold-exchange standard by countries which were too weak to venture a return to the gold standard or to whom the expense of maintaining the gold standard would be excessive.

The adoption of the gold-exchange standard in part by countries seeking to stabilize their currencies was advantageous in a number of other ways, the most important of which was the manner in which it enabled central banks to acquire and maintain control over foreign exchange transactions. In attempting to stabilize their currencies in the period from 1924 to 1928, therefore, various central banks made use of this new-found instrument.

When the French Government, for example, finally succeeded in balancing its budget and there was every indication of a turn for the better in the French financial situation, it was possible for the Bank of France to issue franc notes and with these notes—which incidentally were merely the

product of the printing press, since France had not formally returned to gold—to buy foreign bills of exchange and to acquire bank deposits in foreign countries, especially in England and the United States. Foreign speculators and French nationals who had previously converted their liquid capital into dollars and pounds when the franc was depreciating, were eager purchasers of franc currency because of well-founded belief that the franc was about to appreciate in terms of other currencies.

By this method—there is no other adequate explanation — the Bank of France at the end of 1928 had built up its holdings of foreign exchange and sight balances abroad to the enormous total of about $1,280,000,000. Other countries, notably Belgium, Holland and Switzerland, also acquired abroad substantial balances of a similar nature.

Another development which, as emphasized by the recent report of the Gold Delegation, has profoundly affected the gold position of various countries, has been the tendency on the part of private individuals and business firms to invest in short-term rather than in long-term securities. This shift, for the most part, has been a comparatively recent development and has followed in the wake of financial disturbances in various parts of the world which have lessened confidence in bonds and have driven funds for safe keeping into short-term issues or bank deposits. To the extensive central bank holdings of foreign obligations, therefore, was added a large amount of private short-term capital.

Following the stabilization of the franc in 1928 and the return of practically all countries to the gold standard, these balances, as we have seen, tended to concentrate in the United States. Moreover, the United States and France were the largest recipients, on balance, of war debt and reparations payments, and the trade balances of both nations continued favorable.

The flow of gold to France was accelerated in the first half of 1929 by the decision of the Bank of France to convert part of its sterling holdings into gold and to bring the gold home. This loss of British gold caused widespread anxiety at that time because it reduced the gold reserve below the so-called Cunliffe minimum (£150,000,000). But the collapse of the American stock market boom in the Fall of 1929 replenished the Bank's gold reserve through the return of short-term funds from the United States. The British gold crisis was thought to be definitely past, but later events prove that the withdrawal of funds from the British market in 1929 was only the forerunner of another and mightier outflow which finally, in September, 1931, forced England to suspend specie payments.

The first audible tremor of the imminent financial earthquake was, of course, the failure of the Creditanstalt in Austria in May, 1931. A banking failure in a foreign country seems mysterious and mystifying, especially to Americans who so trustfully invested in sound foreign securities in the halcyon days before the Autumn of 1929. But a foreign banking failure is just as prosaic as those with which the American public have become all too familiar. If the high-sounding terms with which current discussion of international financial matters is usually obscured were brushed aside, we should doubtless discover that the failure of the Creditanstalt was just an ordinary bank failure—loss of confidence by depositors and heavy withdrawals which the bank was eventually unable to meet.

What was really unusual about this particular bank failure was the size of the bank and the light of revelation it threw on the financial position of Austrian and German banking insti-

tutions. People also realized for the first time the tremendous stake that American and British investors had acquired in Germany and Austria. Those who did not understand the seriousness of the situation were made fully aware of it when, toward the end of June, 1931, the Hoover moratorium announcement advertised to the world that a crisis was at hand.

Now began the final and most spectacular of post-war gold movements. A flight of capital from Germany reduced the Reichsbank's gold reserves from nearly $600,000,000 to below $200,000,000, where they stood toward the end of June, 1932. With British short-term funds tied up in Germany by the moratorium, a flight from the pound began which in September forced the Bank of England to suspend specie payments.

The British suspension in turn, and for good reason, resulted in a momentous decision by the Bank of France. As the pound dropped sharply in terms of gold, that bank lost heavily in the value of its British balances. Consequently, it decided immediately to repatriate all its foreign balances, which meant, of course, the heavy withdrawal of funds from the United States. Other countries operating partly on the gold-exchange standard followed suit. Early in June, 1932, it was announced that the Bank of France had completed the repatriation of its American balances, except for gold held under earmark for its account; thus came to a close the sixth great post-war movement of gold to or from American shores.

Statistics show, however, that the increases in the gold reserves of the central banks of France, Belgium, Holland and Switzerland have greatly exceeded the decreases in their holdings of foreign exchange and sight balances abroad. This indicates that private funds have also been withdrawn from the American money market and deposited in French, Belgian, Dutch and Swiss banks—a conclusion substantiated by a recent report of the Department of Commerce which shows that in the calendar year 1931 foreigners withdrew from the United States a total of $1,275,000,000 in deposits and short-term investments. "Available data," the report said, "indicate that this tremendous withdrawal of foreign funds from the United States took place chiefly in the second half of the year and was very largely a result of the European financial crisis which broke in May when the condition of the Austrian Creditanstalt became known and of the suspension of gold payments by England and several other European countries four months later." The loss of gold from January to June of this year was apparently also in part the result of further withdrawals of short-term investments.

At the end of 1931 foreign short-term investments had been reduced to $1,462,000,000 from $2,737,000,000 at the end of 1930. Allowing for the further decline which must have occurred in the first five months of 1932, it would seem that the present total is at or close to an irreducible minimum. In other words, it approximates the minimum necessary for carrying on ordinary commercial transactions between the United States and foreign countries, even with the present greatly reduced volume of foreign trade. Thus two of the most important causes of gold exports from the United States have been eliminated.

Except for the rather remote possibility of a domestic flight from the dollar, only two other possible causes remain. The first is the position of the Bank of England, which at present is in a position similar to that of the Bank of France before the stabilization of the franc. The Bank of England could, by the simple process of increasing its note circulation, take advantage of every speculative upward movement of the sterling exchange rate to acquire foreign exchange. Already the British Treasury

and the Bank have in concert established a fund for the "control" of the pound exchange rate. The weekly statement of the Bank of England suggests that since early in 1932 it has acquired about £50,000,000 in bills of exchange on other countries.

The statement also suggests, however, that the Bank of England will follow a different course from that pursued by the Bank of France in building up its gold reserve. The French manoeuvre was a gigantic speculative operation which succeeded because it was conducted when the world was prosperous and monetary conditions were generally favorable. Today conditions are vastly different, as British bankers are well aware. It is likely, therefore, that the Bank of England will build up its gold reserve gradually by buying newly mined gold in the London market, and by continuing to take full advantage of the gold which the depreciation of the Indian rupee has brought out of hoarding. This method, indeed, has already resulted in an increase in the amount of gold coin and bullion held by the Bank of England from a low point of £121,156,000 on Nov. 18, 1931, to £136,953,000 on June 29, 1932. Future efforts of the Bank of England to restore the gold standard will probably not cause any such sudden disturbance of American gold reserves as that occasioned by the recent repatriation of French balances.

The other possible source of losses to the monetary gold stock of the United States is domestic hoarding. Thus far hoarding in the main has taken the form of the withdrawal of paper money from circulation, but the passage of the Glass-Steagall bill and the formation of the Reconstruction Finance Corporation were thought to have ended this. Recently, however, there has been a renewed increase in bank failures and an increase in money hoarded. The Reconstruction Finance Corporation has evidently, either from choice or necessity, adopted a new policy with respect to the support of weak banks. Whereas early in its existence it attempted to save practically every bank threatened with deposit withdrawals, it has in recent weeks permitted a large number of small banks to fail. If the public should now turn to the hoarding of gold certificates or gold coin, it would obviously constitute a renewed threat to the monetary gold stock of America. It is highly improbable, however, that the confidence of the public in any of the large or moderate sized banks will weaken to such an extent as to cause hoarding of that nature on any substantial scale. And should there, on the contrary, be a turn for the better in the general business situation, there would almost certainly be an exceptionally rapid return flow of currency to the banks.

We have become so accustomed to large-scale international gold movements that we no longer realize their extraordinary nature. Before the war only comparatively small gold shipments were required to settle international trade balances and to keep foreign exchanges within the gold points. Whether a symptom or a cause, present-day gold movements are abnormal and there can be no stability until they are greatly lessened. To this end the report of the Gold Delegation concludes:

> The fundamental necessity for the creation of a more effective international monetary system is the re-establishment, not so much of the technical processes of monetary interchange as of the willingness to use these processes. The working of an international monetary system such as the gold standard presupposes the interdependence of nations. If, however, political conditions are such that nations hesitate to commit themselves to too great interdependence one upon the other, but impose rigid restrictions upon international trade in their effort to attain economic self-sufficiency, there will be little scope for any international monetary mechanism. * * * Without some measure of political settlement leading to renewed confidence in international economic and financial relations, there can be no secure basis for the restoration and improvement of world trade and finance.

Cuba's Economic Isolation

By WILLIAM L. SCHURZ
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TIME and the clash of realities have almost dispelled the sentimental aura that has long enveloped Cuba in the American imagination. The United States of Coolidge and Hoover and the Utah Senators looks on Cuba with different eyes than did the generation of Roosevelt and Root, of Taft and Leonard Wood. During the Cuban struggle against Spain American sympathies were with the island; for a few short weeks Cubans and Americans fought side by side, and later the United States guided Cuba along the thorny ways of self-government. But today Cuba is only a playground for Americans on vacation and a competitor of the sugar industry of the United States.

Since the nineties new influences have brought about an objective attitude toward Cuba, replacing the "big brother" sentiment of the last generation. American policy toward Cuba is now realistic, in spite of occasional protestations of "good-will" toward the island republic. Actually, the United States has no more "good-will" for Cuba than it has for Lithuania or Liberia; the United States is Cuba's friend only so long as she contributes to the ends of American national policy and does not compete with American business. To ascribe any other motive to the American attitude would be hypocrisy; for the Cubans to assume any other would be only self-delusion.

Yet, nature and history have bound the life of Cuba to that of the United States. The relationship might have been mutually advantageous but for the material disparity between the two countries and the self-interest that dictates the policies of nations. Logically, Cuban sugar and other products of her soil should be exchanged for American manufactured goods; at the turn of the century, such an arrangement seemed probable and promised a reasonable prosperity to the young republic. But now it is American policy to produce, as far as possible, commodities formerly purchased from Cuba.

As it was in the order of things that the United States should complete the liberation of Cuba, so was it that America should dominate her life as an independent nation. Cuba's only possible escape was in maintaining the agricultural economy of colonial days, with the simpler style of life that it implied. If the standard of living was to be raised above that of the easy-going plantation system, the price of entering into partnership with the United States had to be paid. Cuba's position as a minor partner in such an arrangement would necessarily entail a certain subjection to the moneyed member of the firm. Such a condition was implicit in the formal contract between the two countries, known as the Platt amendment, and was inherent in the very nature of their relationship. But the United States needed sugar and Cuba could supply the need; moreover, Americans could sell to Cuba the manufactured goods needed to raise her standard of living. It seemed a fair and natural bargain, whereby the deficiencies of the one would be supplied by the other.

With the resulting increase of profits in the growing of sugar, more and more American capital was invested in the Cuban industry, until Americans

controlled about two-thirds of the island's production. Shrewd old Edwin Atkins, who owned Central Trinidad while Cuba was still a colony of Spain, and later organized the Punta Alegre Sugar Company, showed the way. Other groups followed with their chains of mills—Cuba Cane, Cuban American, Cuban-Dominican, American Sugar Refining, General Sugar, Hershey and the far-flung United Fruit. They soon dominated the industry in the Provinces of Camaguey and Oriente, though the Cubans retained control from Santa Clara west.

American citizens invested over $1,000,000,000 in "centrals," land and the equipment required for large-scale sugar production, including private railways and towns for workers. Sometimes the American banks, which had lent money to the original owners, were forced to take over the properties and run them, or to unload them on the American public. New machinery was installed, and the big mills, like Cunagua, Vertientes, Jatibonico, Chapsarra and Preston, became almost as technically perfect as possible. Night and day during the grinding season an endless stream of cars fed cane into the crushers, until single mills turned out 500,000 bags or more. Cuban production rose to 4,000,000 tons, and, after the World War had increased the impetus, reached an even higher figure.

Things went well enough as long as the price of "raws" was maintained on Front Street. But overhead and fixed charges cut heavily into gross earnings; there was serious overcapitalization in some instances, and the sums left for dividends were not always large. Only the old Cuban mills, with their lower operating costs and closer relations with the *colonos,* or cane growers, could show a profit if hard times should strike the sugar industry. But the Americans were frankly concerned about the future returns from their vast investment.

Today most of the great sugar companies are in the hands of receivers and must be reorganized to meet new conditions in the industry—a situation which developed three years before the crash in Wall Street and the general collapse of commodity values. World overproduction finally overwhelmed sugar, as it had rubber, and later coffee, wheat and nearly every other staple of commerce. But even in good times there was far too much sugar.

Cubans expected to find in the United States a practically unlimited market for their output. In 1898 the only domestic American sugar was produced in Louisiana, but the Louisiana industry could meet but a small part of the American demand and survived foreign competition only by means of a mercifully high tariff. Then Puerto Rico, the Philippines and Hawaii—all highly suited to the cultivation of sugar cane—came under the American flag, and, even more ominous to the Cubans, farmers began to plant sugar beets in the Western United States. By 1910 the beet sugar States were producing nearly 500,000 tons of sugar a year. Their spokesmen in Congress, headed by Senator Reed Smoot of Utah, have been a guarantee that, if necessary, there would be ample tariff protection against Cuban sugar.

The Hawley-Smoot tariff of 1930 increased the duty on sugar to 2 cents per pound. As the price of raw sugar at this writing is 66 cents per 100 pounds, cost and freight New York, the present duty amounts to over 200 per cent ad valorem. The fact that the sugar industry in Cuba is predominantly an American enterprise means little to Congress and the tariff commission. To them it is simply a Cuban concern, and the Cubans have no votes on the American side of the Florida Straits. The logic of Congress is that if American capital and enterprise insist on going outside the country, they must face the consequences.

In 1931 the United States used in

one form or another 5,475,000 tons of sugar. Of this amount Hawaii supplied 806,000 tons, the Philippines 680,000 tons, Puerto Rico 624,000 tons, Louisiana 172,000 tons and domestic beet sugar 1,120,000 tons. Cuba's share of the American sugar business in 1931 was 37 per cent; in 1927 it was 55 per cent. Since America is still the principal market for Cuban sugar, the prospect of further expansion of the American duty-free sugar industry naturally fills the Cubans with apprehension.

If the Cubans seek to sell their surplus production elsewhere, the outlook is discouraging. The so-called "open markets" for sugar are rapidly disappearing, and competition from Java, Czechoslovakia and other countries is increasingly severe. Sugar can be, and is, produced, either from beets or cane, anywhere from Finland to the Amazon Valley. Albania, Afghanistan and Uruguay are about the only countries without a native sugar industry. Every other country seeks to produce enough sugar to supply its own requirements, and, to that end, domestic production is encouraged by high tariffs, and often by bounties. Some of these protective tariffs make the American seem low indeed, as any one would learn who tried to send sugar into Brazil, Spain or Australia.

The British Empire as a market for foreign sugar is doomed if the policy of imperial self-sufficiency is successful. Great Britain can draw sugar from Jamaica, Demerara, Trinidad, Mauritius and tropical Africa, not to mention her own beet fields. Except for Canada, the Dominions are independent of foreign supplies, and Canada favors British West Indian sugar against Cuban.

Faced with an ominously declining foreign market, the distracted Cuban Government has resorted to various devices in a desperate effort to restore the era of profitable prices. Restriction of production, the establishment of an official selling agency and an international agreement to curtail output have been tried. The latest experiment—the Chadbourne plan—is still under negotiation, but the reluctance of the Dutch in Java to sacrifice the advantage presented by their low production costs makes its success highly doubtful.

Certain things, however, can be done to save the Cuban industry from disaster. The sugar companies, which now are so distressed, will have to be radically reorganized on the basis of a reduced capitalization and placed on a footing more in line with the conditions likely to prevail in the future. To reduce costs of production, efforts must be made for greater efficiency in the growing and harvesting of the cane. Production should be rigorously held down by limiting new plantings and by refraining from increase of mill capacity. These remedies are familiar to every one in the industry, and isolated individuals have attempted to put them into effect.

Cuba is no happier in her other exports. Any considerable expansion of the tobacco business is improbable. Hostile tariffs, competition of other tobaccos for the high-class filler trade and the trend to cigarettes—these are some of the sorrows of an industry that has existed since Columbus reported the natives as lying in hammocks and smoking a pleasant-smelling weed. In the United States the Corona Corona—once a mark of urbane hospitality or a dignified form of bribery—is being supplanted by heavily advertised and cheaper domestic brands.

The expectations of a profitable market for Cuban fruits and early vegetables have not been realized, though single shipments at times may have been lucrative. Florida and Texas will not permit the developments of so dangerous a rival for this business, and the only concessions made to Cuba are during the short period of the Winter, before early domestic vegetables are ready for the Northern market. Hawaii grows pineapples by the hundred million, and

Puerto Rican grapefruit, like that of Florida and Texas, is grown within the American tariff wall.

Not only do American interests control the Cuban sugar industry, at least on its manufacturing side, but they dominate nearly every other important field of business enterprise in the island. Public utilities are almost entirely in American hands. The largest hotels were built by American capital; American money is invested in tobacco and fruit, in mines and manufactures, and in amusements and government securities. The total stake of the United States in Cuba is about $1,500,000,000.

Since the logical development of Cuban foreign commerce, as dictated by the proximity of the island to the United States, can no longer be expected, the Cubans must reorient their national economy. Otherwise a return to the simpler agricultural economy of colonial days, with a sacrifice of the higher standards of living attained since 1900, is inevitable. Annexation by the United States is too remote to be considered. The same interests which bar Cuban products from America would resist even more vigorously the incorporation of Cuba's productive power into the American economic system. The assimilation of Cuba's population would present an almost insuperable social problem, and, finally, the effect on American relations with the rest of Latin America would be disastrous, as the accusations of our most bitter critics would thereby seem fully justified.

For the Cubans two possible ways are open. They may strive to develop their trade with countries other than the United States and they may diversify their own production in the direction of greater self-sufficiency. They are trying to do both, but this solution of their problem is not so simple as it would appear.

The preferential tariff arrangement with the United States, which is embodied in the Platt amendment, does not permit Cuba to negotiate commercial treaties that might favor exports to other markets. Even if Cuba should make concessions to another country in return for advantages for her own products, the United States automatically would receive similar favors, while still retaining over other nations the 20-30-40 per cent preferential in the Cuban tariff. At any rate, Cuba could derive few benefits for sugar from negotiations of this kind. Tobacco is no better to bargain with, because the leaf of Pinar del Rio is too good for most of the foreign demand. Since all great powers with tropical colonies seek to derive tropical or subtropical products from them, these increasingly self-contained empires offer poor market prospects for the tropical raw materials of an independent nation like Cuba.

The alternative of diversifying the economy of the island in order to make it less dependent not only on its export trade but also on imports from other countries offers better chances of success. Yet there are difficulties here, too. Traditionally, sugar has been the foundation of Cuban economy, and it is difficult to change the outlook of a people who think in terms of a single great staple which once gave them a glimpse of prosperity. Cubans still cherish their dream of the "Dance of the Millions"—when sugar rose to over 20 cents a pound—and they hope that a turn of the business cycle may bring them again to "happy days."

Furthermore, farmers so accustomed to one culture are reluctant to cultivate new and unfamiliar crops, since that entails learning new methods and perhaps buying new tools and implements, a serious problem for a farming class without reserves of capital. Moreover, the market prospects for a new crop are uncertain—the farmers are distrustful, both of the government's advice and of the commission merchants to whom they would have to sell their produce. Finally, they reason, cane is a cash

crop, however slim the returns may be; it is as truly common currency as the American dollar, and, once planted, it will produce for ten or twelve years.

Yet, already much has been accomplished. Imports of coffee, which until recently amounted to several million pounds a year, have been cut to an insignificant figure, as a result of the maturing of new plantations in the Province of Oriente and an early surplus for export is now anticipated. The expansion of the local dairy industry has greatly reduced the importation of canned milk, while cheese is being manufactured in increasing quantities. Beginnings have been made with the cultivation of rice. The canning industry is being developed, and more attention is being given to the raising of cattle and hogs. Enough has been done to show that, except for imports of flour, Cuba could practically feed herself. These conditions, of course, will mean less business for American exporters.

There are clearly marked limits to the possibilities of manufacturing in Cuba. The insular market is capable of absorbing factory production in only a few elementary lines. Some of the attempts at industrialization have been ill advised and unjustified by the country's development or by the extent of the local demand. On the other hand, the results of some manufacturing enterprises have shown the country to be capable of producing certain goods, such as soap, furniture, shoes, cordage, cement, paint, paper, shirts and collars, proprietary medicines, toothpaste, rum and beer. Some of these are made by American branch factories and others by concerns financed by American, Spanish or Cuban capital. One of the most enterprising American residents of the island plans to manufacture cotton textiles.

In order to compensate partially for the prolonged slump in her export markets Cuba has capitalized her climate and her foreign atmosphere with such success that Cubans now call *el turismo* the island's second crop. Prohibition and the rocketing stock market of the late 1920s attracted thousands of Americans to revel in the drinking places of Havana. The repeal of the Eighteenth Amendment would be a serious blow to this kind of tourist business, but there remain the neo-Spanish heritage in stone and speech and the beauty of what Columbus called the "fairest land that human eyes have seen." Cuba is fortunate, also, in that its charms can be reached and enjoyed within the limits of the average American two weeks' annual vacation and of the middle-class pocketbook.

The Cubans will have to find their own way out of the nation's economic dilemma. They should expect no help from the United States or from any other quarter. At present the cards of international trade are stacked against them, and only an unlikely reshuffling would again give them a fair chance. Meanwhile, the task lies at home, and it requires facing uncomfortable facts, steadfastness of purpose and better leadership than has recently been in evidence.

How Real Was Our Prosperity?

By Abraham Epstein
Executive Secretary, American Association for Old Age Security

Exactly how great was our one-time prosperity, and how wide-spread were its blessings? Knowledge of the facts may disillusion us about our naïveté in 1928, but it will give us a true perspective and help us to face clearly the issues of 1932 and 1933.

What were some of the essential points upon which our claims for prosperity were based? Among the most important of these beliefs were the following: That American workers were receiving higher wages than ever before and far above anything known in foreign countries; that wage-earners were laying aside larger and larger savings; that Americans were buying new insurance by the billion that would secure them against all emergencies; that workers were buying stocks of the companies by which they were employed and were opening banks of their own as a first step toward the control of industry; and that American workers were enjoying luxuries such as bathtubs, automobiles and radios, which were undreamed of by workers in foreign nations.

These beliefs were so widely held that President Hoover actually promised the complete abolition of poverty during his sojourn in the White House. Economists like Professor Thomas N. Carver of Harvard were convinced that we were on the threshold of a "new economic revolution" which was "to wipe out the distinction between laborers and capitalists by making laborers their own capitalists and by compelling most capitalists to become laborers of one kind or another, because not many of them will be able to live on the returns from capital alone." Bankers like Francis H. Sisson, vice president of the Guaranty Trust Company, believed that the "diffusion of property ownership means that American industry is gradually being socialized. The working man little by little is strengthening his hold on the instruments of production and is becoming his own employer." How much truth was there in these cheering assertions?

It was repeatedly asserted that wages in the United States were extraordinarily high compared with those paid abroad. Such monetary comparisons, however, were meaningless without consideration of the different standards of life. Conditions in Europe are obviously altogether different from those in the United States. Many items that are exceptionally costly here are comparatively unimportant in the budget of the European worker. The American wage-earner, for instance, has to spend from one-fifth to one-third of his wages on rent; the European worker rarely spends more than 10 per cent of his wages on this item. Clothing, food and amusements are all comparatively more expensive in this country. Even the cheapest movie costs three to five times as much as a glass of beer in a European café. Insurance protection, which is also given to foreign workers either without expense or at a nominal cost, is exorbitantly high in the United States.

The writer has recently examined sixty budget studies made during the past decade upon the minimum sums required by an American family for the maintenance of a decent standard of living. Eight of these estimates

were made by the National Industrial Conference Board, an employers' association; the United States Government was responsible for eleven estimates, while the rest were made by economists and private organizations throughout the country. Only two of the sixty budgets required less than $30 per week for the groups studied. The estimates made by the National Industrial Conference Board ranged from $25 to $40.75 a week, with an average of $33.41, which is equivalent to $1,737.32 a year. The government's estimates averaged $36.85 a week. If the estimates are taken as a whole and on a conservative basis, the average worker's requirement for a standard of minimum decency throughout the decade was between $35 and $40 per week, or from $1,820 to $2,080 a year.

The discrepancy between these estimates of minimum budgets and the actual earnings of large classes of workers is astounding. The following table, prepared from data collected by the National Industrial Conference Board, shows what the wage-earners in twenty-four manufacturing industries, employing approximately half the wage-earners in the United States, actually received during the last decade:

EARNINGS OF WAGE EARNERS IN TWENTY-FOUR MANUFACTURING INDUSTRIES.

	Actual Average Weekly Earnings.	Yearly Earnings (If Employed 52 Weeks Per Year).	Index of Employment (1923=100).	Estimated Yearly Earnings Corrected for Unemployment.
1920..	$29.34	$1,525.68	101.4	$1,525.68
1921..	23.82	1,238.64	74.5	922.78
1922..	24.29	1,263.08	91.1	1,150.67
1923..	26.61	1,383.75	100.0	1,383.75
1924..	26.45	1,375.40	91.9	1,263.99
1925..	27.08	1,408.16	95.7	1,347.61
1926..	27.42	1,425.84	98.0	1,397.32
1927..	27.53	1,431.56	93.4	1,337.08
1928..	27.88	1,449.76	92.8	1,345.38
1929..	28.52	1,483.04	100.2	1,483.04
1930..	25.84	1,343.68	86.0	1,155.56

Bearing in mind that the sixty budget estimates indicated that the minimum annual income required for decent subsistence was from $1,820 to $2,080, we see that not in a single year of this decade of so-called highest prosperity did annual earnings approach even the lower of these limits. The highest earnings, $1,526 in 1920, fell $294 short of the lower limit, and in 1921 actual earnings amounted to only $923, or to about half the necessary minimum. In 1923, the so-called normal year of the decade, actual earnings were only $1,384, or 24 per cent less than the lower limit of minimum budgets. In 1928, the peak year of so-called prosperity, the actual earnings of workers in manufacturing industries were still nearly $500 short of the minimum standard of decency.

Even compared with the average minimum requirement of $1,737 computed from the eight estimates of the National Industrial Conference Board, actual earnings were very low. In 1920 they were 12 per cent below the minimum set by this employers' organization; in 1921 they fell short by 47 per cent, in 1923 by 20 per cent and in 1930 by 33 per cent. A similar story is told by the earnings of railroad workers, the aristocrats of American labor.

The budget estimates were based on the needs of an average family of from four to five persons living on the income of one wage-earner. It is frequently argued that many families have less than three children or have more than one bread-winner. It must be remembered, however, that the American standard presupposes no supplementary earnings of either the wife or young children, for we have always boasted that in the United States the wife is a homemaker rather than a wage earner and that children are being given an education instead of spending their youth in factories or mines. In fact, only 1,920,000, or 9 per cent, of the 21,319,000 married women were gainfully employed in 1920. Moreover, even if some American families have less than five per-

sons or more than one bread-winner, what of those with three or more children dependent upon the father's earnings?

Studies of budgetary standards and actual earnings show conclusively that in the last decade only a very few of our workers have ever earned enough to maintain themselves and their families at a decent level of subsistence. Few workers have been able to meet the day-by-day expenses of decent living, and the so-called prosperity of 1928 was for the majority of workers only a dream.

The American Bankers Association, through its Savings Division, has cheered the nation with its reports of constantly increasing savings deposits in the banks. We have been told that savings jumped from less than $9,000,000,000 in 1915 to over $28,000,000,000 in 1930, while the number of accounts rose from over 16,000,000 to nearly 53,000,000. This has been interpreted as if both the volume of surplus funds saved by individuals and the number of these individuals had more than trebled during the fifteen-year period. Dividing these totals by the number of inhabitants in the country, the A. B. A. concludes that every man, woman and child in the United States increased his share of these savings from $74 in 1910 to $237 in 1928. But was this so? The A. B. A. classifies as savings all but 7 per cent of all time deposits, of whatever nature, in our banks. That this method is not justified and that only a portion of time deposits can be designated as savings is recognized by all authorities. The increase in so-called savings may be explained by the much lower reserves required by the Federal Reserve System for time deposits, which have led the banks to encourage their clients to shift slow demand accounts into this category.

In 1931 the Committee on Bank Reserves of the Federal Reserve System stated: "While it is the opinion of the committee that the greater portion of time deposits held by member banks, particularly country member banks, represent funds which are genuine savings deposits, the committee is convinced that a significant part of these deposits, especially in metropolitan centres [where most of the so-called savings are located] are not in the nature of savings, but have a considerable velocity of turnover, and should be classified as demand deposits and carry correspondingly larger reserves."

So long as there is no way of estimating the volume of genuine personal savings in the United States, the totals presented by the A. B. A. are for this purpose worthless. This is further shown by the location of the nation's so-called savings, which are confined largely to the financial and commercial centres.

New York, with a population of 12,500,000, was credited with as large savings in 1931 as the thirty States of the East Central, West Central and Southern groups together, although their population numbers over 76,000,000, or six times that of New York. The twenty-two States in the Southern and West Central groups, with 42,356,000 inhabitants, fell short of the savings deposits of Massachusetts, with its population of barely 4,000,000, by more than $500,000,000. The New England and Middle Atlantic States with 29 per cent of the total inhabitants of the country boasted almost $18,000,000,000, or about 64 per cent of the nation's total savings.

Massachusetts leads the nation with the highest average per capita savings—$670 in 1931. New York is not far behind with an average of $619. In these two States the depression had the effect of actually increasing per capita savings over their levels in 1930. The 1930 averages were $658 in Massachusetts and $603 in New York. In other words, if the figures of the American Bankers Association are to be taken at their face value, the average citizen of Massachusetts and

New York was actually able to lay aside new savings in 1931, despite the vast numbers out of work or employed only part-time. On the other hand, although a close neighbor, New Jersey had per capita savings of about $300 less than New York and Massachusetts. The great industrial State of Pennsylvania, the first to establish a mutual savings bank, had per capita savings of less than half those of New York and Massachusetts. In Ohio the per capita savings were $205; in Illinois, $147; in Arkansas, $30; in New Mexico, $27. Thus a citizen of Illinois, even though the social and legal equal of a citizen of Massachusetts, has only about one-fifth the standing with his banker. The financial rank of a sovereign citizen of Arkansas is only about one twenty-second of a citizen of Massachusetts.

The Connecticut Bank Commissioner classifies the depositors of mutual savings banks according to the amounts on deposit. His 1930 report shows a total of $660,442,590 in all Connecticut mutual savings banks, held in 925,799 accounts. Of these, 746,717 accounts, or 81 per cent, had less than $1,000 each, accounting for 19 per cent of the total deposits. The next group, ranging from $1,000 to $2,000, included 83,265 depositors, or 9 per cent of the total, and accounted for $115,354,112, or 17 per cent of the deposits. On the other hand, 90,448 accounts between $2,000 and $10,000, although they numbered only 10 per cent of the total, accounted for $348,868,792, or 53 per cent of all the savings deposits in Connecticut mutual savings banks. The 5,369 accounts of over $10,000 constituted only one-half of one per cent of the total accounts, but the total money held in them amounted to 11 per cent of the total savings in these banks.

That few workers have deposits of over $2,000 in savings banks will not be disputed. Let us assume that all the accounts under $2,000 in the Connecticut savings banks in 1930 were exclusively those of workers. This means that 90 per cent of the total depositors were workers, but that they controlled only 36 per cent of the total savings deposits. If this is the share of the workers in the mutual savings banks, generally considered as workers' depositories, their share in the time deposits of the national and State commercial banks and of trust companies is obviously almost negligible. Yet these latter banks held 64 per cent of the nation's so-called savings and showed the greatest increase in the amounts deposited.

The story told by the Connecticut data since 1880 is altogether different from that of the American Bankers Association. The Connecticut statistics, which are doubtless typical of the United States, show that the wage-earner's share in the total savings has been steadily declining in the past few decades. In 1880 the deposit accounts of less than $1,000 in the Connecticut savings banks controlled 46.5 per cent of the total savings. In 1910 the same group still controlled 35.9 per cent of the total, but in 1930 the amount in these accounts had declined to 19 per cent of the total.

This decline holds true not only in terms of their ratio to the total deposits but also in terms of real money. Between 1880 and 1910 the total deposits in accounts of less than $1,000 expanded from $33,878,140 to $103,592,409, an increase of about 205 per cent. By 1930, however, they had risen to only $124,348,995, an increase of about 20 per cent in the last twenty years. The average amount in each account, moreover, declined from $202.44 in 1910 to $166.52 in 1930. Since the purchasing power of the dollar declined by about half during these two decades, $166 in 1930 was equivalent to only about $83 in 1910 money. In other words, in 1930 the probable average savings of the workers, measured in real value, was 60 per cent below that of 1910. There

is no doubt that were similar figures available for other States they would show similar declines.

The remarkable growth of insurance until 1931 was one of the chief reasons for belief in the prosperity of the past decade. What did this growth really mean? There were 98,804,354 policies in force on Dec. 31, 1929. But of this number less than 24,000,000 were ordinary policies, with an average face value of $2,918.45; nearly 75,000,000 of these policies, or three out of every four, were for industrial insurance with an average face value of $203.10.

In terms of real money the value of the average industrial policy actually declined during the past twenty-five years. According to the New York Commission on Old Age Security "the average policy in 1904 was $140.95. By 1915 the value had increased by only $9.79. The increase from 1904 to 1928 was 61.6 per cent. The actual money difference was only $86.89. Most of these new increases have taken place during the last few years with the fall in the purchasing power of money. To reduce the amounts of these insurance policies to their purchasing value gives a better measure of the real value of these policies. On the basis of 1914 dollars, the 1928 average policy is about $128.57. This is an actual decrease in the real value of the average industrial policy of approximately $16.35 on the basis of 1914 dollars. Industrial policies are much more widely held but the real average amount is smaller than in 1914."

Were these insurance policies an indication of general prosperity? Did they offer real security? Even in ordinary insurance, which is generally taken out by the middle and upper classes, we find that during the prosperous year of 1928, for every policy that matured normally, more than two policies were either surrendered or allowed to lapse, involving a complete or partial loss of the policy holder's investment. For the companies authorized to do business in the State of New York—representing about 90 per cent of the total insurance business—out of the 1,734,157 ordinary policies which terminated throughout the country during that year, only 565,088 were terminated by "death, maturity, expiry or disability." Of the rest, 401,219 policies were surrendered for one reason or another, while 764,733 policies lapsed, obviously because the payment of premiums could not be continued. The situation was worse in 1929. The face value of the ordinary policies that were surrendered and permitted to lapse that year was almost three times that of the policies maturing normally.

The story of industrial insurance, generally known as workers' insurance, is even more astounding. Of the 8,515,237 industrial policies that terminated in 1928, only 952,809, or 11.2 per cent, worth a total of $209,913,584, matured normally, whereas 1,759,987 valued at $317,320,916, were surrendered, and 5,802,441, or 68.1 per cent, valued at $1,594,472,261, lapsed. Eight persons in the prosperous year of 1928 lost all or part of their investment for one person who attained the goal of insurance. Again in 1929, for every policy that has terminated normally, nearly eight were surrendered or lapsed, while for every dollar paid out nearly nine dollars' worth of insurance was surrendered or lapsed. The conditions in the less strictly regulated insurance companies were naturally worse.

Terminations in insurance due to surrenders and lapses increased throughout the so-called decade of prosperity. According to the report of the New York Commission on Old Age Security, the percentage of terminations increased from 51.1 per cent in 1923 to 70.2 per cent in 1927. At the same time, the value of these canceled policies rose from 47.2 per cent

of the new business in 1923 to 64 per cent in 1927. The increase in terminations was not due to natural factors but rather to surrenders and lapses. While the terminations due to death declined, the percentage of lapsed and surrendered policies increased from 81.8 per cent of the total terminations in 1923 to 88.3 per cent in 1927. The actual value of all the normally maturing policies represented only 9.3 per cent of the total terminations in 1927.

Proof of the prosperity of the last decade was supposed to be found also in the industrial stock purchases of wage earners and in the development of labor banks. In this way, it was believed, workers were acquiring a share in the ownership of industry which would transform them from wage earners into capitalists. The assertion was frequently made that the number of stockholders in the country had increased from less than 5,000,000 in 1900 to about 15,000,000 in 1927. Not only were workers acquiring the stocks of their own companies, but, so we were told, the development of labor banks indicated that they were accumulating increasing savings for the purpose of ultimate control of industry. As these banks expanded, they would gradually buy out one after another of our industries and, through the peaceful penetration of Wall Street, ultimately attain the long dreamed of labor commonwealth.

How much truth was there in these assertions? The number of individuals holding stocks was only a fraction of the total number of stockholders. Diversification of investment almost became a religion during the decade, and the same individual often appeared as a stockholder hundreds of times. Some time before the stock market crash in 1929 the late Joseph S. McCoy, actuary of the United States Treasury, estimated that only 3,000,000 individuals owned corporation securities, and that only about 1,000,000 held bonds. "Only one in every thirty persons in the United States," he stated, "now belongs to the legion of capitalists. Investigations have shown that some individuals own as many as 500 different stocks." Shortly after the crash, Dr. Julius Klein, Assistant Secretary of Commerce, also stated that "no one knows the number of persons engaged in this speculative activity, but even if we accepted the apparently liberal estimate of some non-official observers who place the speculative accounts at about a million, these would still involve less than 4 per cent of all the families in the entire nation. Or, if we put it on the basis of individuals, the ratio would be less than 1 per cent of the total population."

The National Industrial Conference Board found in 1927 that 315 corporations, employing a total of 2,736,448 persons, were selling or had previously sold company stock to their employes. A total of 806,068 employes, or about 30 per cent of the number employed, had become stockholders or subscribers to a market value of about $1,000,000,000. The market value of the shares held by the employes represented 4½ per cent of the total market value of the stock outstanding in these corporations at the time. On the basis of its studies, the Conference Board estimated that in the entire country there were about 1,000,000 employes who owned or had subscribed for stock and that their holdings amounted to "well over $1,000,000,000." This represented about 1 per cent of the total market value of all stocks then outstanding. In other words, even in the heyday of employe stock ownership only one in twenty-five of those engaged in manufacturing, transportation, mining and trade had purchased any stock. Their total share in American industry amounted to but 1 per cent, so that they had yet to secure the remain-

ing 99 per cent before attaining the Utopia of Professor Carver and Mr. Sisson.

The labor bank movement, as an indication of workers' prosperity, was equally insignificant. Beginning in 1920, labor banks spread rapidly until in 1925 their number had reached 36. Despite the so-called prosperity that prevailed up to the Fall of 1929, labor banks declined steadily in both number and total resources after 1926. By June, 1931, only 12 of these banks were still open, while their total resources were only $60,132,791, or less than half the total in 1926. A number of these banks, including the much heralded bank of the Brotherhood of Locomotive Engineers, had gone into bankruptcy. Others were taken over by outside interests or reorganized as private banks. In 1931, the largest labor bank—the Federation Bank and Trust Company of New York—closed its doors.

The same exaggerations were current in regard to workers' luxuries. While we counted each one of the six to ten bathtubs in Park Avenue apartments, we failed to notice that millions of Americans were still living in the slums without so much as running water in their homes. When Mr. Hoover was promising each worker a two-car garage, 60 to 70 per cent of American workers were still dreaming of a dilapidated Ford which could just as well have been parked in the yard.

Many workers, of course, did buy cars and bathtubs and radios and over-stuffed furniture and vacuum cleaners. But this was by no means evidence of prosperity. The buyers simply could not resist some high-powered salesman's tempting offer to give them these things for "$1 down." It was during this period that instalment sales rose to their unprecedented and unwarranted heights. It was estimated in 1926 that instalment sales reached the enormous total of $6,000,000,000, or 15 per cent of all goods bought at retail; 80 per cent of phonographs, 75 per cent of automobiles and 65 per cent of vacuum cleaners were sold on these terms. Over $2,000,000,000 in automobiles, $765,000,000 in furniture, $100,000,000 in jewelry, $66,000,000 in washing machines and about $40,000,000 each in pianos and radios were sold on the time payment plan in 1924. Even the retail clothiers sold $140,000,000 worth of goods in the same way. The amount of instalments outstanding at any given time during the prosperity period was estimated at $2,250,000,000. It is significant that, according to Professor E. R. A. Seligman of Columbia University, close to 300,000 automobiles were returned into the possession of automobile dealers during the prosperous years 1923-1926, when unemployment was at its lowest ebb. Large percentages of similar repossessions occurred in all other instalment purchase accounts.

The growth of instalment sales was in itself proof of the hollowness of our claims to wide-spread prosperity. It was scarcely conceivable that workers earning high wages and laying aside larger and larger savings should prefer to buy homes, automobiles, furniture, radios, and even clothing on the instalment plan at exorbitant prices and high rates of interest. Only a queer mind could have believed that workers were buying luxuries and even necessities on the instalment plan, while they were at the same time piling up savings deposits and buying company stocks. It is this mind that built up the myth of prosperity, that for years refused to recognize the depression and that is now drifting from one ludicrous remedy to another in trying to cure it.

Billions for Veterans

By ROBERT CRUISE McMANUS

WHEN the United States Treasury announced in August, 1917, a plan to insure American soldiers and sailors against death or disability incurred as a result of their service in the World War, one commentator declared that "pestiferous pension graft will become a thing of the past." Nevertheless, fifteen months later, an hour after the signing of the armistice, the first bonus bill was introduced in the House of Representatives.

"Pestiferous pension graft" has existed in the United States since the Revolution; it increased after the wars of 1812 and 1848, and particularly after the Civil War, when a United States Pension Commissioner announced his intention of driving "a six-mule team through the Treasury." Having been forewarned, the Wilson Administration accordingly took steps to be forearmed.

The war risk insurance act signed by the President on Oct. 6, 1917, was like a workmen's compensation law except for the fact that premiums were to be paid by the policy holders themselves. The men were insured against disability or death incurred in the line of duty, while provision was made to rehabilitate or to train for vocations those whose earning power should be impaired. The government further undertook to add to an enlisted man's monthly pay a sum equivalent to that which he allotted to his family, and it arranged for him to transfer his policy into a low-premium life insurance policy if he returned uninjured to private life.

This act was based upon the principle that the United States recognized an obligation to those on whom the war took toll, but there was no acknowledgment of a debt in dollars to those who had emerged unscathed from the performance of their patriotic duty. In the words of President Coolidge's bonus veto of May, 1924, "we owe no bonus to able-bodied veterans of the World War. We must either abandon our theory of patriotism or else abandon this bill."

However, a genuine sentiment of gratitude that favored "doing something for the boys" after the armistice found its first expression in the payment of $60 to every man upon the day of his discharge from the service. The country was flooded with penniless and jobless veterans who poured into Washington. Petitions were circulated, and a host of now forgotten organizations appeared, each with its own particular program. By the Spring of 1920 seventy-five veterans' bills were before Congress, but the session ended without the passage of a single measure.

By this time the Veterans of Foreign Wars and the American Legion were emerging as the strongest of the ex-service men's associations, with a combined membership—since considerably reduced—of more than 1,500,000. Threatened with dissension in its ranks, the Legion, which originally had devoted itself to the care of the wounded, was forced to take up the bonus fight. Within a short time both houses were notified that immediate action was expected, and the country was reminded that non-combatant government employes had been awarded an annual bonus of $240 throughout the duration of hostilities, that stay-at-homes had been paid $10, $12 and $15 a day in the

shipyards and munitions factories, that the average savings bank deposit had increased $400 and that war profits had created 23,000 new millionaires. Meanwhile the term bonus had been changed to the more diplomatic "adjusted compensation."

When Congress convened in March, 1921, pressure skillfully directed at Congressmen in their districts forced the passage of a bonus bill through the House of Representatives. But new obstacles had arisen; an acute economic depression had seized the country, bringing about a huge Treasury deficit and an outcry for both governmental economy and a reduction of taxes. Secretary of the Treasury Mellon declared that the bonus "could be financed only by increasing the burden of debt under which the country is now staggering," while it would introduce "grave complications with the refunding operations, * * * renewed inflation, increased commodity prices and unsettled business conditions." Mr. Mellon was answered with an argument which has often been put forth since—that a distribution of government funds would increase purchasing power and stimulate economic activity.

President Harding on July 12, 1921, made a dramatic appearance before the Senate with a plea that action on the bill be deferred by returning it to committee. He won his point and editorial opinion in general applauded not the defeat but the postponement of legislation. Meanwhile, States and municipalities had generously rewarded their veterans for service in the national emergency. Moreover, a referendum favorable to the bonus in the President's State of Ohio influenced him to declare in his annual message the following December that he was willing to sign a bonus bill if it provided a satisfactory method for raising the necessary funds. The bill, as finally passed, failed to satisfy him in this respect, and was vetoed on Sept. 11, 1922. The President's message said: "To add one-sixth of the total sum of our public debt for a distribution among less than 5,000,000 out of 110,000,000 people, whether inspired by grateful sentiment or political expediency, would undermine the confidence on which our credit is builded and establish the precedent of distributing public funds whenever the proposal and the numbers affected make it seem politically appealing to do so." This veto, the first of many on veterans' legislation, was overridden in the House and sustained in the Senate by only three votes.

Throughout the country, after the distribution of State and local benefits, the tide of sentiment for a bonus began to ebb. The stand of the New York *World* that if "authorized at demobilization, it [the bonus] would have been of assistance to many. Coming long after the close of service, with its recipients settled in civil life, it will be nothing but a demoralizing grab, the forerunner, no doubt, of others," became the view of many people. A *Literary Digest* poll of nearly 1,000,000 votes registered a victory for the bonus by the narrow margin of 2.4 per cent. That veterans' legislation was being lobbied through Congress by an organized minority which did not truly represent the sentiment of even ex-service men themselves became a widespread attitude, while a new organization, the Ex-Service Men's Anti-Bonus League, was formed with the motto, "For the Disabled, Everything; For the Able-Bodied, Nothing." But this league did very little to live up to its slogan.

After 1921 the bonus question changed from a dispute over principle to mere manoeuvring for advantage. When Mr. Coolidge succeeded to the Presidency bonus agitation broke out again. Representative A. Piatt Andrew of Massachusetts, Republican, a former Assistant Secretary of the Treasury and Professor of Economics at Harvard University, weakened the Mellon warnings against a bonus when he showed that the Secretary's predicted $300,-

000,000 deficit of the year before had in reality become a $600,000,000 surplus. The phrase "a billion dollar error" passed from mouth to mouth on Capitol Hill and the attack on Mr. Mellon widened as it was charged that his companies had profiteered during the war, that Mellon employes had been instructed to oppose the bonus and that the Ex-Service Men's Anti-Bonus League was financed by "Big Business." In the midst of the fight the president of the league admitted before a House committee his utter ignorance of a pending Legion-sponsored bill for the care of disabled. As a result his motto, "For the Disabled, Everything," became meaningless.

As one of the American Legion lobbyists has since admitted, Congressmen received the warning, "If you don't vote this bill through, the man elected in your place next November will." Thus was victory achieved. The bonus passed both House and Senate, rolled crushingly over a Coolidge veto on the eve of a convention which was scheduled to renominate him as the party leader, and became law in May, 1924. Its annual addition to the cost of government in the United States was $112,000,000.

The defeat of the Presidential veto, said the Atlanta *Constitution,* "means that the day will not come for years, if ever, when the tax levied on the people of this country by the Federal Government will even approximate the normal burden carried before the Great War." It meant "the beginning of the expenditure of untold millions." "Virtually all the arguments in favor of the original bonus bill," declared the Boston *Transcript,* "would still hold good for an increase and then they could be subsequently used again for another increase."

In its final form the Adjusted Compensation act provided for paid-up twenty-year endowment policies with an average value of $962. At the end of two years the holder was permitted to borrow, at 4½ per cent interest, from a State or national bank up to 90 per cent of the policy's current value—from $87.93 a thousand in the first year to $831.23 in the nineteenth. If he failed to repay his loan the government promised to make it good, at the same time depriving him of the policy. If he died leaving it untouched, his heirs became automatic beneficiaries.

After the adoption of the law the bonus question slumbered. Six months after the act was passed only 1,300,000 of 4,500,000 eligibles had applied for their certificates, which seemed to sustain the contention that most ex-service men did not want the bonus, or at least were apathetic toward it. In the end, however, more than 90 per cent of them fell into line.

With the return of hard times after the stock market crash of 1929, another demand was made for government aid to veterans. To the protestations of the Treasury that it could afford no additional burdens, the answer was returned that the same argument had been used six years before and proved to be wrong. For example, in November, 1923, Mr. Mellon had declared that passage of a bonus law would postpone tax reduction for many years to come and would entail an increase in taxes; nevertheless, since then the Treasury had shown three substantial surpluses, taxes had been reduced as many times, while $4,500,000,000 of the national debt had been retired. The argument that any further benefits should go only to veterans actually in need was met by a repetition of the "economic" defense that money distributed to all ex-service men would increase the nation's crippled purchasing power and hasten the return of prosperity.

In spite of many protests, the House, under special rules and by a vote of 363 to 39, passed a bill authorizing policy holders to borrow up to 50 per cent of the maturity value of their cer-

tificates. The Senate, after a proposal to limit borrowing to the needy was defeated, approved the House measure by 72 votes to 12, and after another White House veto it became law in February, 1931. Its estimated cost to the government is $960,000,000; to raise the necessary funds, the Treasury was forced to push its securities into an already uneasy money market. Sixteen months after the much heralded "increased purchasing power" was released, its benefits remained invisible.

President Hoover's personal plea to the delegates at the American Legion convention in the Fall of 1931 was supported by a nine-to-five decision against seeking bonus legislation in the approaching session of Congress. The Veterans of Foreign Wars, however, as well as individual Legion posts throughout the States, were not so easily quieted. When Congress assembled, many members, led by Senator Thomas of Oklahoma and Representative Patman of Texas, were still anxious to "do something for the boys." As a result the threat of the inflationary Patman proposal, which would surrender the management of money to lobby-ridden politicians and issue more than $2,000,000,000 of new currency to the veterans hung over the nation for seven months.

The issue came to a head in June when the "Bonus Expeditionary Force," a ragged, penniless army of 20,000 ex-service men, advanced on Washington, frankly seeking a Treasury dole. Supported by a portion of the country's press, they wrested victory from the House once more, though this time by a margin of only thirty-three votes. When a vote on the bill was taken in the Senate a mob of veterans swarmed over the Capitol, leaving an ugly memory that Americans will not forget, while within the Chamber the Senators, mindful at last of their nation's dignity, voted a resounding "Nay," which killed the bill by a vote of 62 to 18. But the dangerous problem of how to demobilize the "Bonus Expeditionary Force" has still to be solved.

While the bonus debate for twelve years occupied the attention of the nation, greater and far more expensive veterans' benefits were silently piling up. Until the formation in May, 1932, by ex-service men of the National Economy League these benefits had been distributed without protest. Only the presentation at the White House of a "Petition for a Redress of Grievances" by Captain Archibald Roosevelt and an Economy League delegation disclosed their nature and extent.

The petition for a redress of grievances specifically attacked veterans' appropriations approved by the House on April 9, 1932, and demanded a reduction of $450,000,000 from the total of $928,000,000. It showed that by a succession of statutes adopted since June, 1920—most of them in even-numbered years when Congressmen were seeking re-election—the government had abandoned "the sound policy in which veterans' legislation was first conceived."

The petition pointed out that under a law passed in June, 1920, the government this year will pay $119,000,000 in pensions to (1) disabled veterans of ninety days' service in the Spanish-American War whose injuries have nothing to do with their war service, and (2) all ninety-day veterans of 62 or over, whether disabled or not. Moreover, by a similar measure adopted two years ago, $104,000,000 will be set aside to compensate ninety-day veterans of the World War whose disabilities have likewise no connection with their service under the flag. Another statute was cited under which veterans who contracted certain diseases as late as six years after the armistice, which are presumed to have resulted from war service, will collect allowances totaling not less than $125,000,000.

These are the major items under

the grouping of direct cash payments which the petition demands shall not be expended. In the matter of indirect benefits its analysis and recommendations are equally specific.

A reduction of $30,000,000 is sought in administrative costs of the Veterans' Bureau for work incidental to these pensions, which it has already declared should not be paid. It attacks as "indefensible" the present free hospitalization of any veteran, without regard to the nature or origin of his disability, points out that 75 per cent of the total admissions to veterans' hospitals last year were for cases unrelated to war service and demands the subtraction of $39,000,000 in proposed expenditures therefor. In this connection the petition also shows that the House bill would appropriate $12,000,000 for the construction of additional hospitals, and calls attention to the estimate of General Hines of the Veterans' Bureau that the prospective increase of cases which have no connection with the war will eventually require 100,000 more beds at a peak cost of $140,000,000 a year.

Under existing laws an ex-soldier who breaks his leg while drunk may obtain care at government expense and then receive a pension of from $12 to $40 a month, though his service to his country may have involved nothing more hazardous than three months of fresh air, food and military training at Camp Upton. If he later has a pain in his stomach which puzzles him, he may go to the nearest veterans' hospital at government expense, draw his pension and an extra allowance of $2.65 a day while undergoing observation, and then, discharged as cured, collect from the government for his fare home.

One individual who entered the service thirteen days before the armistice as a Captain in the Sanitary Corps and who was later transferred to the Quartermaster Corps of the regular army, from which he was discharged in 1922 with no wound, injury or disease, is now legally drawing $187.50 monthly retirement pay at the same time that he receives $9,000 a year as counsel for the Veterans' Administration. Another veteran had an abdominal cancer removed, at government expense, in order to save his life, but the operation so weakened his stomach muscles that he could no longer indulge in his favorite recreation of bowling. He likewise receives compensation in monthly instalments.

The benefit-seeking "sunshine and holiday soldiers"—a type denounced on the floor of Congress more than 100 years ago—have fared even better than those on whom the war took actual toll. As was recently pointed out in a series of newspaper articles the average monthly disability payment for those who saw action in France was $39.09, as compared to $48.57 for those who contracted diseases in the United States. The widow who lost her only son and support on the battlefield receives $20 a month while the man who caught mumps at Spartanburg may get $25. An ex-service man with a 10 per cent disability the result of a completely arrested case of tuberculosis contracted as late as Dec. 31, 1924, is paid $50 a month but a widow with two children whose husband fell under German fire has a benefit of $46.

Policemen, firemen and professional athletes are drawing money from the Treasury because they are "disabled." Doctors, lawyers and business men with incomes of between $4,000 and $10,000 are receiving full retirement pay for "30 per cent disability." Besides the abuses under the law, the graft and the manipulations of "pension lawyers" are unmeasured.

Though the fiscal year 1931-1932 ended with a deficit of $2,885,000,000 and the President has repeatedly urged "drastic economies," he has not yet recommended a change in the veterans' law. The result is that the budget for ex-service men remains substantially intact

And at the recent Republican National Convention in Chicago the veterans' plank declared: "Disability from causes subsequent and not attributable to war and the support of dependents of deceased veterans whose death is unconnected with war have been to some measure accepted obligations of the nation as a part of the debt due."

In the House of Representatives on May 3, 1932, the members overwhelmingly approved a bill creating three new classes of pensioners among the widows and orphans of "sunshine and holiday soldiers," with the apology that "while this measure is not what we want, it is the best we could do under the circumstances." The demand for widows' pensions was an obvious corollary of the dissipation of the cash bonus of last year. Their insurance gone, wives sought other means of protection. Thus, as each new measure becomes law, creating a new group ready to resist any reduction in their allowances, the fight to reduce the burden of gifts to veterans grows harder. So far almost the only bold voice raised in Congress against the distribution of veterans' largess has been that of Lewis Douglas, young Representative-at-large from Arizona. But he cannot carry the battle alone.

Meanwhile, $1,000,000,000 a year, or 25 cents out of every Federal tax dollar, is being paid in the interests of those who once wore the uniform of the United States. Since the armistice $5,500,000,000 has been expended—almost one-third of the total spent for veterans of all wars in which the nation has been involved since the founding of the Republic. Despite the fact that twice as many men were in actual combat with the enemy during the Civil War as during the World War, and that they suffered twice as many casualties, the "six-mule team" which drove through the Treasury in the '70s has been replaced by a more efficient motor truck.

Such generosity is without parallel. In France, where World War casualties outnumbered American by eleven to one, benefits are being paid to 150,000 fewer men than in the United States. Payments in Great Britain are steadily decreasing. The total spent for veterans in Great Britain, France, Germany, Italy and Canada combined in 1932 will be 10 per cent less than that paid out by the United States Treasury. No other country has considered paying a bonus to all veterans and only two have provided free medical care on a scale comparable to that of the United States.

Until the present laws are drastically rewritten the cost of veterans' benefits is certain to increase rapidly. The National Economy League has emphasized that the average age of World War veterans is now 39 and "most men in their forties and fifties can qualify for at least a 25 per cent disability under a system devoid, as is this system, of any scientific and sound medical basis for its ratings." If the present system is retained, according to General Hines, by 1945 the United States will have paid out $21,500,000,000, or an amount equal to the total cost of the World War.

To those whose skilled manipulations effected the passage of this legislation the present situation is a striking tribute, but for Americans as a whole, whose ten-year political apathy permitted the movement to go unchallenged, the burden of veterans' benfits remains a bitter souvenir.

The Birth Control Controversy

By Robert E. Riegel *and* Lawrence Eager

[The authors of the following article, who are members of the faculty of Dartmouth College, are at work upon a history of the American birth control movement.]

If the movement for birth control in the United States is to be regarded as having begun with the first practical advice on the subject published in book form by an American, then that movement is just a hundred years old. Dr. Charles Knowlton's *Fruits of Philosophy, or, the Private Companion of Young Married People* (1832), was, indeed, the third such book in the English language, but the earlier volumes, which had appeared within the previous six years, were not written by Americans. Public efforts toward birth control, therefore, are far from new, although the importance of the movement has become generally apparent only in more recent years. Professor Julian Huxley now hails its inception as "one of the major events in the world's history." Dean Inge asserts that not improved technology, nor the growth of socialism, nor the World War, "but possibly the nigh universal adoption of family limitation" will be considered the most important event of the last fifty years.

The early birth-control movement in the United States was indebted somewhat to English agitation of the same period, but the emphasis was quite different. Overpopulation seemed a real possibility in England, and consequently influenced English thinking, but in the New World land was plentiful and people were scarce. One of the few Americans to see prospects of a surplus of people was the versatile Franklin, who wrote as early as 1751 that "there is * * * no bound to the prolific nature of plants and animals, but what is made by their crowding and interfering with each other's means of subsistence." The usual sentiment, however, as stated by such nineteenth-century writers as Raymond, Taylor, Carey, Everett and Cardozo, was that overpopulation was only a bugbear with which to frighten nervous children. In consequence, American advocates of family limitation stressed the situation of harassed parents and the desirability of eliminating many harmful and even dangerous practices that had long been passed from person to person.

The first of the American birth-control books was published by Robert Dale Owen, who was born in England, and whose interest in the subject was but a minor element in a very active life. Between the appearance of his *Moral Physiology* in 1830 and his death in 1877 at least 50,000 to 60,000 copies of the book were circulated, with more than 10,000 distributed in the United States. Any such figures are probably incomplete, not only because the number of editions and size of the printings cannot be definitely ascertained, but also because pirated editions and circulation from hand to hand have not been included. The present scarcity of copies of this work may be due in part to the fact that they were literally read to pieces.

Two years after the Owen book came Dr. Knowlton's volume. It had an immediate popularity, with at least 3,000 copies sold in the first year and a half, and with at least nine American editions by 1839. Its total all-time circulation is hard to determine, par-

ticularly on account of the prodigious sales upon its revival in the 1870s. *Fruits of Philosophy* was primarily the outcome of the author's personal background. Knowlton (1800-1850) had been troubled during adolescence by almost continual ill health, due probably to difficulties which his marriage in 1821 overcame. But his youthful troubles were soon replaced by the difficulties of supporting a rapidly growing family. Even after graduating from the Dartmouth medical school, he found his earnings meager and that other young married couples had similar difficulties. Consequently he welcomed methods of family limitation, believing in its morality and desirability. He spread his knowledge first in manuscript and later in printed form. But birth control was never a primary interest with Knowlton; later he became a well-known general practitioner.

A lull occurred in the movement during the thirty years after the Knowlton book appeared, even though birth-control literature continued to circulate. Most notable of the new developments was the spreading of the idea of "male continence," a variety of birth control favored by J. H. Noyes, who used it as one of the main bases of his Oneida community, established in the late 1840s. The general vocal sentiment of the nation was that sex and marriage were constituted by God for the continuation of the race and that interference with natural processes was not only dangerous to the health but also immoral, not to say sacrilegious. The use of contraceptives must be inferred from the diatribes against them, and their infrequency from the attitude of the community and from the prevalence of abortion.

Interest revived during the '60s, increased during the '70s and early '80s, and then receded until the second decade of the present century. Included among the publications of the period were J. H. Noyes, *Male Continence* (1866); Edward Bliss Foote, *Words of Pearl* (about 1866); M. M. ("Brick") Pomeroy, *Pen Pictures of New York Life* (1882); and Edward Bond Foote, *The Radical Remedy in Social Science* (1886). During the same period occurred two important English obscenity trials—that of Bradlaugh and Besant and that of Truelove. They resulted in arousing widespread interest in birth control and a wide circulation of books such as those of Owen and Knowlton.

The English trials not only produced a tremendous publicity for the subject but also indicated a growing effort to suppress birth control information. In the United States, considering the traditional American attitude, there had been surprisingly little censorship before the late '60s. Knowlton's two convictions were not entirely on the basis of obscenity, and Owen was never prosecuted. In general, this type of book met with no legal opposition. Even without specific laws, the spreading of such information might have been prosecuted either under the English common law or under various general State obscenity statutes.

The banning of birth control information has usually been associated with the name of Anthony Comstock, the most influential single advocate of such legislation. Margaret Sanger in her recent autobiography contends that "he and a week-kneed Congress, which, through a trick, in 1873 had given him the power of an autocrat, were directly responsible for the deplorable condition of a whole generation of women left physically damaged and spiritually crippled" in trying to limit their families. Probably such a statement gives Comstock too much credit, since the legislation he sponsored represented the prevailing attitude of his time. Possibly also his effort served to advertise, and consequently to spread, the very information he opposed.

As a result of a long series of both State and Federal laws beginning in

the late '60s, approximately half the States now ban birth control information, in some cases even when imparted by word of mouth. The other States have general obscenity statutes which can be interpreted by the courts according to current judicial morality. Federal laws concerning both the admission of obscene material to the United States and its transmission across State boundaries—particularly through the postoffice—have a history that covers more than a century. The act of 1873, bearing the imprint of Comstock, was the first to mention contraceptives specifically. More recent legislation has changed and expanded this act, but not significantly.

Legislation designed to prohibit birth control information evoked little interest until about the last two decades, when it came under fire because of the expansion of the movement. During these twenty years organized agitation for birth control has come into existence and taken definite form. Social and religious groups and institutions have taken cognizance of it; eugenics and medical science have been drawn to it; clinics have been established; legislative struggles have been waged on an ever growing scale.

The modern movement—and the first really organized movement—began in America with the efforts of Margaret Sanger in 1912 and is still galvanized by her energetic activities. As a visiting nurse in the east side of New York City she was impressed by the need of education in the doctrine and by the need of dissemination of the appropriate information; her talks to mothers in 1912 led her to launch the movement. After a trip to France to study practical methods Mrs. Sanger returned to announce in January, 1914, "a public campaign for birth control, based on grounds of economics and feminism." Soon thereafter the first issue of *The Woman Rebel* was published—and barred from the mails. It was in this year—the first year of the World War—that the movement received the name of "birth control" and that the first American birth control organization was formed.

In the annals of the movement, 1912 is further important because of the early support of medical leaders. Both the president of the British Medical Association—Sir James Barr—and the president of the American Medical Association—Dr. Abraham Jacobi—endorsed birth control in their presidential addresses that year. When Dr. Jacobi and Dr. W. J. Robinson called a meeting of the Academy of Medicine on the subject in 1913 the medical profession in general was presented with the reality of the movement in modern society. Noncommittal then, the profession has since tended to be divided in its attitude.

Mrs. Sanger's activities have received the special notice of the courts on four occasions. In September, 1914, she was arrested and indicted for advocating birth control. The case was dropped two years later. In the meantime Mr. Sanger was arrested and sentenced to serve thirty days for distributing his wife's pamphlet, *Family Limitation*. The other two Sanger cases had to do with birth control clinics. In 1916, upon the opening in Brooklyn of the first American birth control clinic, Mrs. Sanger and others were arrested, and Mrs. Sanger sentenced to thirty days in jail. In 1931, after the sensational raid of a birth control clinic that had been functioning publicly in New York for six years, she found public sentiment more sympathetic. Many of the leaders of the medical profession protested vigorously and testified voluntarily.

In the space of less than a year three highly significant pronouncements on the subject of birth control were made by religious bodies. The decennial Lambeth Conference of Anglican Bishops, gathered in London from all parts of the globe in the Summer of 1930, voted by 193 to 97 for lifting the church ban against the

practice. Early in the following January appeared Pope Pius XI's encyclical on marriage. The Roman Catholic opposition to contraception as a mortal sin was forcefully reiterated, thus adding substantially to the ever-growing controversy. Less than three months later the report of the Committee on Marriage and the Home of the Federal Council of Churches of Christ in America, an organization representing over 21,000,000 Protestants in twenty-seven denominations, approved birth control.

Other church bodies in America seem also to be moving away from their earlier attitude concerning the practice. The Universalist General Convention in 1921 asked for repeal of all Federal and State laws interfering with the right of doctors to prescribe, and urged the establishment of city clinics. The New York East Conference of the Methodist Episcopal Church in 1930 passed a favorable resolution which would probably have been impossible five years before. The Special Commission on Marriage, Divorce and Remarriage of the General Assembly of the Presbyterian Church in the United States of America (Northern) passed a favorable recommendation, but it was deleted from the final report to the General Assembly, which went on record as rebuking the Federal Council for its report. The Social Justice Committee of the Central Conference of American Rabbis which approved the birth control movement in 1929 is said to have been the first religious organization in America to take such action.

Birth control in America has been sponsored by two leagues, each headed by a woman who has been a pioneer in the movement and is still actively associated with it. The Voluntary Parenthood League, led by Mrs. Mary Ware Dennett, was organized to repeal the Federal laws against birth control. The American Birth Control League, led by Mrs. Sanger, which was founded in 1921 to change the laws in order to permit doctors to give contraceptive information, is working for the education of the public and for the establishment of birth control clinics. It has issued propagandist literature, held public meetings and fostered over fifteen national and international birth control conferences. Economists, eugenists, social workers, scientists and other specialists participated in the First World Population Conference, organized by Mrs. Sanger in 1927 and held at Geneva under the chairmanship of Sir Bernard Mallet.

Since 1927 Mrs. Sanger has turned from the administration of the league, which in that year had a membership of over 60,000, to promote Federal legislation and "to outline a program to stimulate research through the Clinical Research Bureau, directing it toward the perfecting of contraceptive technique, urging scientists and specialists to focus their attention upon this problem and to set up bureaus for the purpose of testing their achievements."

The growth of the movement can be seen in the establishment of birth control clinics, the first of which was opened in Amsterdam, Holland, in 1878. Between 1923 and 1929 thirty-one American "clinics and centres for birth control service" were founded, many connected with hospitals throughout the country. Dr. C. H. Robinson reports that the development of these clinics is like "other medical charities of the modern welfare movement, except that some well-to-do women are found among the hosts of poor clients." Religious groups "whose leaders object to contraception are represented among American patients in about the same proportion as in the general population." Mrs. Sanger, in her latest book, *My Fight for Birth Control,* speaks of hundreds of doctors who have come to the clinics to be instructed in methods.

Increasing medical interest in birth control is shown not only by individ-

ual attendance at clinics but also by scientific group studies of the subject. Among these scientific groups formed in medical circles "to study contraception and related problems of human fertility from the point of view of the practice of medicine and of the public health" is the National Committee on Maternal Health, which is composed of representatives of such medical schools as Columbia, Cornell, Pennsylvania, Johns Hopkins, and those of over twenty leading hospitals of the country.

Agitating for changes in the laws concerning birth control, the group headed by Mrs. Dennett has been seeking an "unlimited" bill which would allow any one to impart information. Such a measure was introduced in the Senate and the House in 1923 through the efforts of the Voluntary Parenthood League, but it died in committee without hearing. In 1924, as the Cummins-Vaile bill, it came to hearing, and was killed. The group headed by Mrs. Sanger endorses a "limited" bill—often called the "doctors' " bill—authorizing doctors, nurses and midwives to give instruction, in the belief that only scientifically trained people should be permitted legally to do so. The American Society of Gynecologists and Obstetricians and the Gynecological Section of the American Medical Association both passed resolutions in 1925 favoring such action.

A new legislative struggle began three years ago with the organization of the National Committee on Federal Legislation for Birth Control, with Mrs. Sanger as chairman. Through its efforts a "limited" or "doctors' " bill was introduced by Senator Frederick Gillett in 1930. Hearings took place in the middle of February, 1931, with seven prominent persons speaking in its favor and seventeen equally prominent persons protesting against it. The bill, left in committee, died with the Seventy-first Congress a year ago.

Since the beginning of 1932 Mrs. Sanger and her National Committee on Federal Legislation for Birth Control have been concentrating on the present Congress. They have interviewed 206 members of both houses. Of the 171 Representatives interviewed, 92 are reported favorable, 58 noncommittal and 21 opposed to the proposed change of law. Of the 35 Senators seen, 22 are said to be favorable, 7 noncommittal and 6 opposed. Yet the Hancock bill to legalize the distribution of birth control information was defeated by the House Ways and Means Committee by 20 votes to 4 on May 24.

The agitation in many States for a change of law is illustrated by the Remer bill, which was introduced in the New York State Legislature, and advocated giving doctors permission to disseminate information to married people. Favorable to the bill were seven out of eight medical faculties of the State, the State League of Women Voters, the New York Federation of Women's Clubs, as well as many organizations, clergymen and laymen prominent in public life. It was opposed by equally distinguished individual clergymen and religious groups, and was defeated in 1929.

Scientific interest has recently come to include the effects of birth control, particularly in view of the rapid decline of the birth rate in the last half century. Possibly this downward tendency is now being checked in certain European countries, although the evidence is not conclusive. For the United States there are no reliable birth statistics before 1915, and the nearest approximation to a true birth rate is obtained by comparing the number of children under five years of age with the number of women between the ages of sixteen and forty-four. This ratio has declined consistently throughout the entire period of census enumeration. The largest decreases came in the decades 1840-50 and 1880-90, thus correlating with the greatest periods of interest in birth

control. Since the establishment of a birth registration area in 1915 the rate has dropped from 25.1 to 19.7 (1929), but the period is too short to permit of sound generalizations.

The existence of a declining birth rate in the Western World is unquestioned, but its relation to birth control is not so clear. For those who believe that fertility is only one characteristic of racial vigor and that races wax and wane with but little relation to influences of environment birth control may mean little. Most investigators, however, believe that social phenomena can be explained by cause and effect. The birth rate seems to be connected with such things as the number of abortions, maternal care, the age and frequency of marriage, illegitimacy, the volume and force of desire and self-control, the extent of impotency and sterility and the degree of fertility. Surveying these factors, we find that abortion is probably not increasing, that maternal care is improving, that the age of marriage is not increasing, that a larger proportion of the population is now married than ever before, that sexual interest has probably not decreased, even though there are no exact figures, that there is probably no decline in potency or fertility, and that relations between men and women are much the same as they have always been, particularly within marriage. The conclusion seems inevitable that contraceptives have been largely responsible for the decline in the birth rate. Positive evidence of a fragmentary nature supports this conclusion; investigations of married life indicate both that contraceptives are used more by the younger than by the older couples and more by the upper than by the lower economic groups.

Those who favor birth control may be grouped into five categories. There are those who see in it a solution of the troublesome problems of population. Others regard it as a means of regulating rationally the birth rate and thus lessening the death rate. Still others approve it as an agency for increasing maternal and child health. Some would attain eugenic goals by its application. And there are those who insist that parenthood should be voluntary. Among those who earnestly oppose birth control are those who fear race suicide; those who fear a diminished population and the consequent weakening of the national defense and economic security of their country; those who believe it will result in an increase in immorality, and those who object on religious grounds, believing it is in violation of natural law.

Most of the earlier birth control literature of the last quarter-century is highly emotional and sentimental, with little logic, weighed evidence and objectivity. The weaknesses of propagandist literature still remain in some of the current writing of those who favor and those who denounce birth control. But opponents and proponents alike are seeking more and more the support of science—biological, physical, medical and social—for birth control is a significant movement in the American history of these past hundred years and its present and ultimate effects upon society and civilization are almost incalculable.

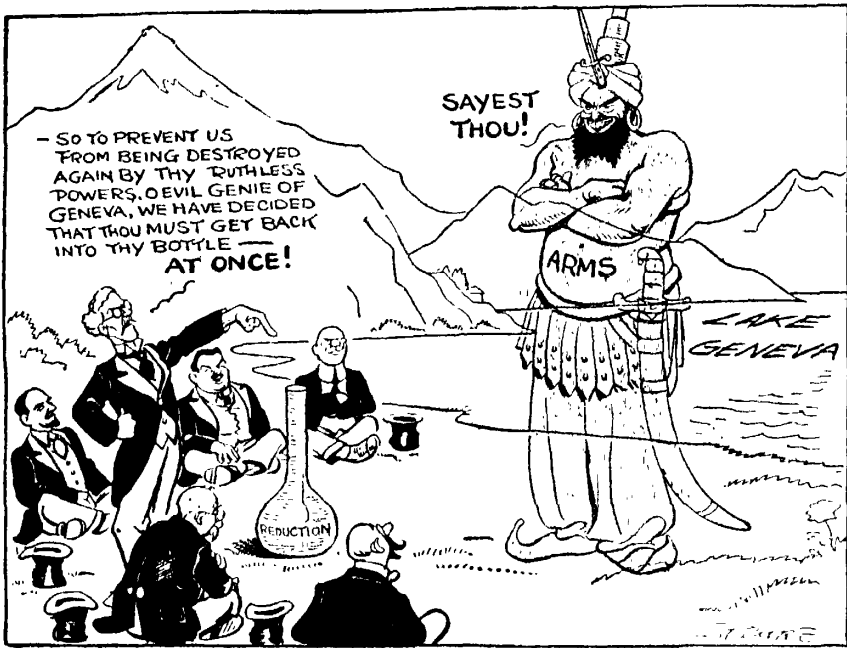
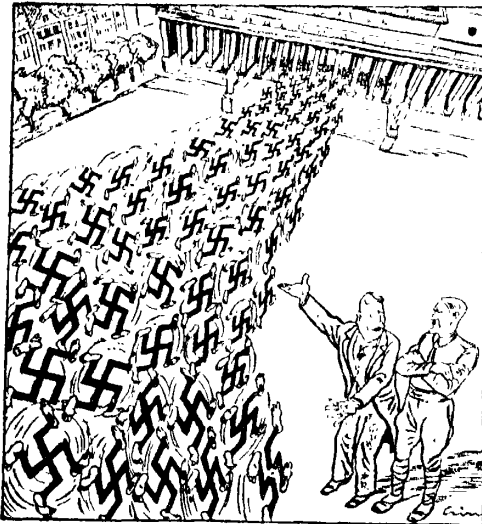
Current History in Cartoons

THE WAY OF AN EAGLE
—*Glasgow Evening News*

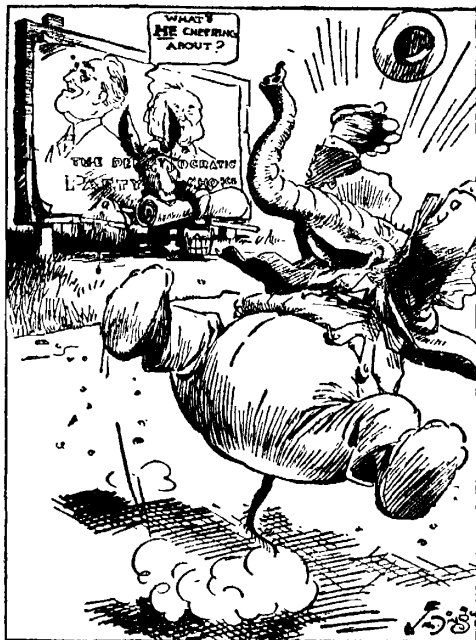
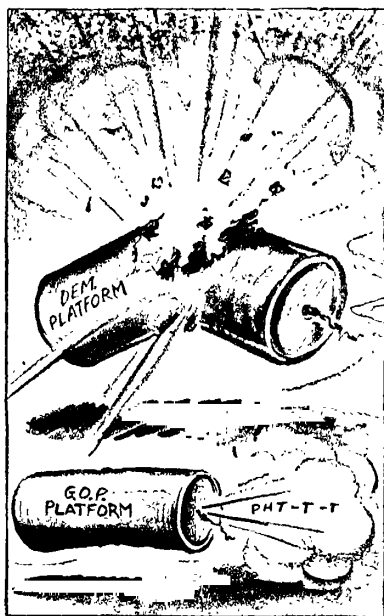
THE LEAGUE AIDS AUSTRIA

"Help! Help!"

A Trousers Button!

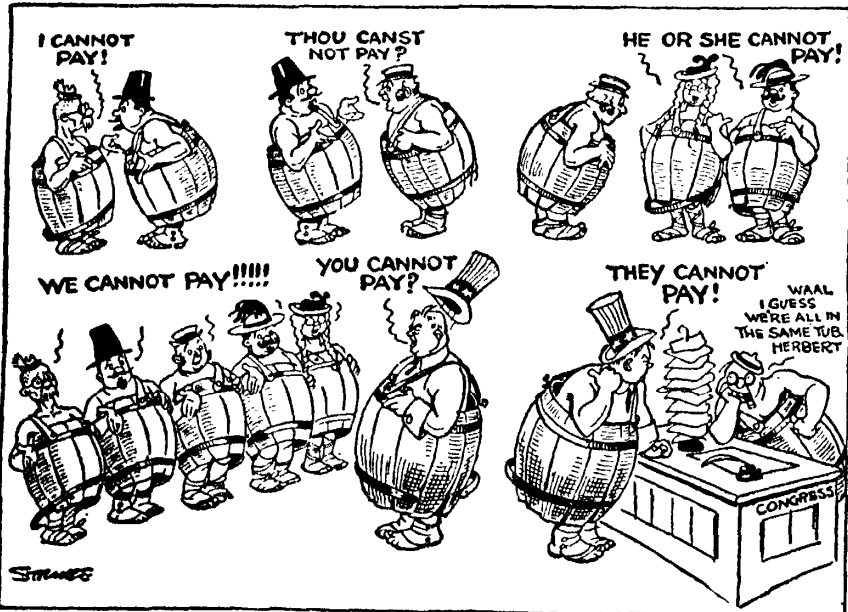
—*Kladderadatsch,* Berlin

OUT OF THE BOTTLE
The Daily Express, London

THE RUSH TO POWER
Groener (to Hitler)—"What a race! I didn't realize they had four feet."
—*Guerin Meschino*, Milan

THE FOSTER MOTHER OF THE ECONOMIC CRISIS
—*Kladderadatsch*, Berlin

THEY MIGHT HAVE NAMED BAKER, SMITH OR RITCHIE
—New York Herald Tribune

"NOW, EVERYBODY! HIP-HIP-HOO-RAY!"
—Baltimore Sun

DID HE MUFF IT?
—Columbus Dispatch

THIS ONE EXPLODES
—St. Louis Star and Times

"HAVE A SEAT—I'D LIKE A WORD WITH YOU"
—*Baltimore Sun*

PASSING THE GRAVEYARD
—*Pittsburgh Post-Gazette*

"THE SONG OF THE TUB"
—*The Daily Express*, London

A Month's World History

The End of Reparations

By JAMES THAYER GEROULD
Princeton University; Current History Associate

REPARATIONS at last came to an end with the conclusion at Lausanne on July 8 of a treaty (signed next day) whereby the Young Plan, which fixed the burden on the German people at 34,000,000,000 gold marks, payable in annuities till 1988, is replaced by an obligation involving 3,000,000,000 gold marks ($714,000,000.) Inasmuch as the bonds for this amount may be issued at as low as 90, the final German payment in reality need not exceed 2,700,000,000 marks. (For the complete text of the treaty see pages 576-579 of this magazine.)

It might, however, be urged that this accord between Germany and the nations to which reparations are due does not finally dispose of the problem, because a "gentlemen's agreement," signed privately the same day as the treaty itself by representatives of Great Britain, France, Italy and Belgium, makes ratification conditional upon the reduction of the war debts owing to the United States. This undoubtedly raises more sharply than ever an issue on which this country has through its government expressed itself in no uncertain manner. Nevertheless, even if the European creditors of Germany declare that reparations can be ended only through action by the United States, it is now certain that Germany will never pay more than the final amount agreed upon at Lausanne and that, whatever discussion may ensue, the reparations clauses of the Versailles Treaty have been virtually revised out of existence.

Ramsay MacDonald, the British Prime Minister, opened the conference at Lausanne on June 16 with a speech in which he made a solemn plea to save the world from catastrophe. He spoke of the rapid increase in unemployment and consequent human suffering, of the impossibility of constructive relief except as the nations take common action, of war debts and reparations as a major cause of the distress, of the necessity for prompt and decisive action. Twice in the speech he referred to the United States, emphasizing the fact that American interest in a settlement was common with that of the rest of the world, and expressing his gratification that "after the present phase is over, the United States has encouraged us to believe it will cooperate in an examination at any rate of some of the wider problems and join with us in devising a policy for the encouragement of trade and the enrichment of nations."

Since the conference was so long overdue—it had originally been scheduled for Jan. 18—and the end of the Hoover moratorium was so near at hand, prompt action of a tentative

character, at least, was essential. Consequently, on the second day, a resolution was passed declaring that "without prejudice to the solution which may ultimately be reached, the execution of the payments due to the powers participating in the conference in respect to reparations and war debts should be reserved during the period of the conference." By this means debts amounting to about $45,000,000 were written off—because no one believed that these sums would ever be paid.

Following this action, the position of each of the nations was outlined by its chief representative. Chancellor von Papen admitted the legality of the claims on Germany, but declared that, since the adoption of the Young Plan and because of the fall of the price level, German obligations had been increased by from 40 to 50 per cent. The present financial and economic situation of Germany was such that no payments whatever could be made, and it was claimed that revival of trade was impossible so long as the payments remained on the books. Edouard Herriot, the French Prime Minister, in his reply, did not deny the necessity for a drastic revision of payments, but insisted that cancellation would give Germany an unfair advantage in world trade, and demanded that any final settlement must be accompanied by guarantees of political security. While he made no specific mention of the French debt to the United States, he declared that a European settlement could be brought about only within the framework of a general settlement.

Herriot's first proposal is understood to have been a three years' suspension of reparations, after which an international commission would determine whether Germany could make nominal payments in the form of railway bonds, a proportion of which might go to the United States in place of debt payments. The Germans countered with a suggestion that, in return for cancellation, they would agree to accept a five-year pact designed to bring about complete economic cooperation with France. For several days there was a deadlock, and had it not been for the efforts of Mr. MacDonald the conference then and there would have broken down.

A suggestion made on June 27 by Count Schwerin von Krosigk, the German Finance Minister, however, finally offered a way out. While Germany was neither willing nor able to pay reparations, he said, she might, when conditions improve, be willing to pay into a common treasury certain sums which could be used for the benefit of countries needing aid. Several days were devoted to the elaboration of this idea, and from it the final arrangement emerged.

By the treaty Germany agrees to deliver to the Bank for International Settlements 5 per cent redeemable bonds to the amount of 3,000,000,000 gold marks ($714,000,000). These bonds will not be negotiated for at least three years, and if they are not negotiated within fifteen years they will be canceled. If the bonds are put on the market, it will be at a rate not below 90 per cent; hence, this final German payment amounts to 2,700,000,000 marks ($642,600,000), or only slightly more than the past year's suspended Hoover moratorium payment under the Young Plan.

Before agreement was reached the question of German war guilt for a time also threatened to bring the conference to ruin, but it was relegated to the future for discussion—a concession which the German delegation no doubt made in return for a scaling down of the French demands.

The speed with which agreement was reached was due very largely to the efforts of Prime Minister Ramsay MacDonald and to the disinterested position of the British Government. Great credit must also be given to Premier Herriot and to Chancellor von Papen and to the unexpected cordial-

ity of their relations. The French radical found in the German Junker a man who spoke French and who professed a lifelong advocacy of full Franco-German understanding. The negotiations had extended over several weeks, and more than once their successful outcome seemed impossible. But Prime Minister MacDonald, who acted as both president of the conference and umpire of the contest, refused to surrender the hope of a solution. If von Papen was tied by the instructions of his Cabinet and cowed by the clamors of his press, Herriot was likewise obliged to listen to the voices from Paris, where every sign of German stubbornness served only to stiffen French resistance.

The view of officials at the State Department was that the treaty opened the way for foreign governments indebted to the United States to propose revision of their debt-funding arrangements on the basis of capacity to pay. The United States, it was pointed out, has consistently stated that Europe should first solve the reparations problem before turning to this country in any hope of debt relief. While members of both houses of Congress expressed themselves as pleased that agreement had been reached on one of the most disturbing of post-war problems, they made it clear that they were for the most part strongly opposed to any effort to cancel or even reduce the debts owing to the United States.

No sooner had gratification begun to find expression over the conclusion of the treaty than a new situation was created by the disclosure of the "gentlemen's agreement" signed by Great Britain, France, Italy and Belgium in the following terms:

The Lausanne agreement will take final effect only after ratification by the creditor powers as provided in the treaty. This ratification will not be effected until a satisfactory settlement has been reached between them and their own creditors.

The creditor powers will have an opportunity to explain the situation to their respective Parliaments, but no reference of that must be made in the agreement with Germany.

Consequently, if satisfactory settlements are reached concerning the debts, the creditor governments will ratify the Lausanne Treaty and the agreement with Germany then will have its full effect.

But if such settlements are not obtained the agreement with Germany will not be ratified and a new situation will arise and the interested governments will confer on what is to be done. In such an event the legal position will be that which existed before the Hoover moratorium.

The German Government will be notified of this agreement.

The first official reaction of the United States Government to reports that President Hoover might consider cancellation or reduction of the war debts was the following statement issued by Acting Secretary of State Castle on July 9: "The American Government is pleased that, in reaching an agreement on the question of reparations, the nations assembled in Lausanne have made a great step forward in the stabilization of the economic situation in Europe. On the question of war debts owing to the United States by European governments there is no change in the attitude of the American Government, which was clearly expressed in the President's statement concerning the proposed moratorium on intergovernmental debts on June 20 of last year."

President Hoover in his statement of June 20, 1931, after declaring that he did not approve "in any remote sense of the cancellation of the debts to us," added that the debts should be determined on the basis of capacity to pay and that the United States should recognize the situation as it existed.

Opposition in the United States to the attitude indicated by the "gentlemen's agreement" was becoming stronger at this writing, but it appeared that this country would take no definite action until after the Presidential election.

Text of Lausanne Reparations Treaty

THE Lausanne conference was convoked on invitation of the governments of Germany, Belgium, France, the United Kingdom of Great Britain and Northern Ireland, Italy and Japan in accordance with the announcement made at Geneva on Feb. 13, 1932, on behalf of those governments.

The object of the conference was as follows: To agree to a lasting settlement of the questions raised in the report of the Basle experts and on measures necessary to solve the other economic and financial difficulties which are responsible for and may prolong the present world crisis.

The conference was opened at Lausanne June 16 by his Excellency M. Giuseppe Motta, president of the Swiss Confederation; M. Jules Dufour, president of the Government of the Canton of Vaud, and M. Daillard, Mayor of Lausanne, being also present.

In addition to inviting the governments mentioned above, the governments of the following countries were represented: The Commonwealth of Australia, Canada, Czechoslovakia, New Zealand, Poland, Portugal, Union of South Africa and Yugoslavia. The governments of Bulgaria, Greece, Hungary, India and Rumania were subsequently represented at the conference.

The conference elected as its president the Right Hon. J. Ramsay MacDonald, Prime Minister of the United Kingdom; as the secretary general, Sir Maurice Hankey, G. C. B., G. C. M. G.

On June 16, 1932, the representatives of the governments of the United Kingdom and Northern Ireland, France, Italy, Belgium and Japan signed the following declaration:

"Deeply impressed with the increasing gravity of the economic and financial perils which overhang the world and with the urgency of the problems which the Lausanne conference has had to consider, firmly convinced that these problems require a final and definite solution directed to the improvement of European conditions, and that this solution must be pursued henceforward without delay or interruption with a view to its realization in the framework of a general settlement, noting that certain payment of reparations and war debts will fall due as from the first of July next, we are of the opinion, in order to permit the work of the conference to proceed undisturbed, that, without prejudice to the solution which may ultimately be reached, the execution of the payment due to the powers participating in the conference in respect of reparations and war debts should be reserved during the period of the conference, which the undersigned governments contend should complete its work in the shortest possible time.

"It is understood that the service of market loans will not be affected by these decisions. The undersigned governments declare that they, for their own part, are prepared to act on this understanding, and they invite the other creditor governments taking part in the conference to adopt the same course."

In accordance with the invitation contained in the last paragraph of the said declaration, the governments of the Commonwealth of Australia, Canada, Greece, India, New Zealand, Poland, Portugal, Rumania, Czechoslovakia, the Union of South Africa and Yugoslavia subsequently associated themselves therewith.

On the occasion of this declaration certain governments addressed to the president of the conference letters which have been placed in the archives. As a result of meetings held from June 16 to July 8, 1932, the following instruments were drawn up:

1. Agreement with Germany.
2. Transitional measures relating to Germany.
3. Resolution relating to non-German reparations.
4. Resolution relating to Central and Eastern Europe.
5. Resolution relating to the world economic and financial conference.

The present act, of which the English and French texts are both authentic, will remain deposited in the archives of the government of the French Republic, which will deliver a certified copy to each of the governments who have taken part in the conference at Lausanne and also the other governments who took part in The Hague conference of 1929-30.

Done at Lausanne in a single copy.

ANNEX 1—AGREEMENT WITH GERMANY

The Government of H. M. the King of the Belgians, the Government of the United Kingdom of Great Britain and Northern Ireland, the Government of Canada, the Government of New Zealand, the Government of the Union of South Africa, the Government of India, the Government of the French Republic, the Government of H. M. the King of Italy, the Government of H. M. the Emperor of Japan, the Government of the Republic of Poland, the Government of the Republic of Portugal, the Government of H. M. the King of Rumania, the Czechoslovak Republic and the Government of H. M. the King of Yugoslavia (thereinafter described as the creditor governments) and the Government of the German Reich, recognizing that the legal validity of the agreement signed at The Hague on Jan. 20, 1932, is not in question, but concerned by the economic

difficulties resulting from the present crisis, and being desirous to make, so far as they are concerned, the necessary effort to insure the normal economic and financial relations between the nations, the undersigned, duly authorized to that effect by their respective governments, have agreed upon the following:

Declaration—The powers signatory of the present agreement have assembled at Lausanne to deal with one of the problems resulting from the war, with the firm intention of helping to create a new order permitting the establishment and development of confidence between the nations in a mutual spirit of reconciliation, collaboration and justice.

They do not claim that the task accomplished at Lausanne, which will completely put an end to reparations, can alone assure that peace which all nations desire, but they hope that an achievement of such significance and so arduously attained will be understood and appreciated by all pacific elements in Europe and the world, and that it will be followed by fresh achievements.

These further successes will be more readily won if the nations will rally to this new effort in the cause of real peace, which can only be complete if it is applied both in the economic and in the political sphere, and reject all possibility of resort to arms or to violence.

The signatory powers will make every effort to resolve the problems which exist at the present moment or may arise subsequently in the spirit which has inspired the present agreement.

Art. I—The German Government shall deliver to the Bank of International Settlements German Government 5 per cent redeemable bonds to the amount of three milliard reichsmarks gold [$714,-000,000], of the present standard of weight and fineness, to be negotiated under the following arrangements:

1. The Bank for International Settlements shall hold the bonds as trustees.

2. The bonds shall not be negotiated by the Bank for International Settlements before the expiry of three years from the signature of the present agreement. Fifteen years after the date of the said signature bonds which the Bank for International Settlements have not been able to negotiate shall be canceled.

3. After the above period of three years the Bank for International Settlements shall negotiate the bonds by means of public issues on the market as and when possible, in such amounts as it thinks fit, provided that no issue shall be made at a rate below 90 per cent. The German Government shall have the right at any time to redeem at par, in whole or in part, the bonds not yet issued by the Bank for International Settlements. In determining the terms of issue of the bonds the Bank for International Settlements shall take into account the desirability of giving the German Government the right to redeem the bonds after a reasonable period.

4. The bonds shall carry interest at 5 per cent and sinking fund at 1 per cent as from the date on which they are negotiated. They shall be free of all German taxes, present and future.

5. The proceeds of the bonds, as and when issued, shall be placed to a special account, the allocation of which shall be settled by a further agreement in due course between the governments, other than Germany, signatory to the present agreement.

6. If any foreign loan is issued by the German Government, or with its guarantee, at any time after the coming into force of the present agreement the German Government shall offer to apply up to the equivalent of one-third of the net cash proceeds of the loan raised to the purchase of bonds held by the Bank for International Settlements. The purchase price shall be such that the net yield of the bonds so purchased would be the same as the net yield of the loan so raised. This paragraph does not refer to loans for a period of not more than twelve months.

7. If, after the expiry of five years from the signature of the present agreement, the Bank for International Settlements considers that the credit of the German Government is restored, but the quotation of its loans remains, none the less, below the minimum price of issue fixed under Paragraph 3 above, the minimum price may be varied by a decision of the board of the Bank for International Settlements, which decision shall require a two-thirds majority. Further, at the request of the German Government the rate of interest may be reduced below 5 per cent if issue has been made at par.

8. The Bank for International Settlements shall have power to settle all questions as to the currency and denomination of bond issues and also all questions as to charges and costs of issue, which it shall have the right to deduct from the proceeds of the issue. In conclusion, in questions relating to the issue of bonds the board of the Bank for International Settlements shall take the advice of the president of the Reichsbank, but decisions may be made by a majority vote.

9. The text of the bonds will be settled by agreement between the German Government and the Bank for International Settlements.

Art. II—On its coming into force the present agreement will terminate and be substituted for the reparation régime provided for in the agreement with Germany signed at The Hague on Jan. 20, 1930, and the agreements signed in London on Aug. 10, 1930, and at Berlin on June 6, 1932. The obligations resulting from the present agreement will completely replace the former obligations of Germany comprised in the annuities of the "new plan."

Art. III—Consequently Articles I, II, IV, V, VII, VIII and IX, and Annexes 1, 3, 5 and 5A, 6, 6A, 7, 10 and 10A of the said agreement with Germany are definitely abrogated.

Art. IV—The protocol signed at London

on Aug. 11, 1931, and the protocol supplementary thereof signed at Berlin on June 6, 1932, are abrogated. Consequently the provisional receipts handed to the Bank for International Settlements by the German Railway Company under the said protocol of Aug. 11, 1931, will be returned to it.

Art. V—The certificate of the German Government and the certificate of the German Railway Company referred to in Article VIII, Annexes 3 and 4 of The Hague agreement, shall with the coupons attached be returned to the German Government and the German Railway Company respectively.

Art. VI—Nothing in the present agreement alters or affects Article III (liquidation of the past), Article VI (so far as concerns the corporate existence of the Bank for International Settlements) or Article X (immunities of the Bank for International Settlements) of The Hague agreement.

Art. VII—A—The signatory governments declare that nothing in the present agreement diminishes, varies or shall be deemed to diminish or vary the right of the bondholders of the German external loan of 1924 or the German Government international 5½ per cent loan of 1930.

B—The necessary adaptation of the machinery relating to the manner in which the obligation of the German Government, with respect to the German external loan of 1924, and with respect to the German Government international 5½ per cent loan of 1930, will be discharged, will be subject to mutual arrangement between the German Government on the one hand and the Bank for International Settlements, the fiscal agent of the trustees of the German external loan of 1924 and the trustee of the German Government 5½ per cent loan of 1930, on the other hand.

Art. VIII—The present agreement will, on its coming into force, be notified to the Government of the French Republic by the Bank for International Settlements, with a view to the application by the bank of its provisions. The said government will also notify the bank for the purpose of those States that the Young Plan is no longer in effect.

Art. IX—Any disputes, whether between the governments signatory to the present agreements or between one or more of those governments and the Bank for International Settlements as to the interpretation or application of this agreement, shall be referred to the arbitration tribunal set up under Article XV of The Hague agreement with Germany. The relative provisions of that article and of Annex 12 of the said agreement will for this purpose be applicable.

Art. X—The present agreement, of which the English and French texts are both authentic, shall be ratified and the ratifications shall be deposited at Paris. The governments whose seats are outside Europe will be entitled merely to notify the French Government through their diplomatic representatives in Paris that their ratification has been given. In that case, they may transmit the terms of ratification as soon as possible.

As soon as the present agreement has been ratified by the governments of Belgium, France, Germany, Great Britain, Northern Ireland, Italy and Japan it shall come into force between those governments whose ratification has been deposited or notified at that date. It shall come into force in respect of other signatory governments on the date of ratification or deposit of ratification. The French Government will transmit to all the signatory governments and to the Bank for International Settlements a certified copy of the procès verbal of the deposit and a certified copy of each ratification.

Art. XI—The present agreement may be signed at any time up to the time at which it first comes into force by any governments signatory to the agreement with Germany signed at The Hague on the 10th of January, 1930. After that date, any of the said governments may accede to the present agreement by means of a notification addressed to the Government of the French Republic, which will transmit to the other contracting governments and to the Bank for International Settlements a certified copy of such notification. In that case the agreement will come into force for the government concerned on the date of such accession.

Done at Lausanne, 9th day of July, 1932, in a single copy which will remain deposited in the archives of the Government of the French Republic, which will transmit certified copies to each of the signatory governments.

ANNEX 2—TRANSITIONAL MEASURES RELATING TO GERMANY

The newly authorized representatives of the governments signatory of the agreement concluded this day with Germany have agreed as follows:

Art. I—As from today's date, the effects of the declaration of June 16, 1932, will be prolonged as regards the payments due by Germany under The Hague agreement of Jan. 20, 1930, the London protocol of Aug. 11, 1931, and the Berlin protocol of June 6, 1932. This prolongation will terminate on the coming into force of the agreement with Germany signed today at Lausanne, or failing this on one of the governments of the following countries, Germany, Belgium, the United Kingdom, France, Italy and Japan, notifying the governments concerned that it has decided not to ratify.

Art. II—Negotiations will be entered into without delay between the German Government and the Bank for International Settlements in order that the arrangement contemplated in Article VII of the agreement with Germany signed today may be prepared before its coming into force.

Art. III—As regards the execution of

payments and deliveries in kind of contracts and work in course of execution, a committee consisting of representatives of the German Government and the governments concerned shall be appointed to draw up such proposals as may be desirable in regard to such contracts and works.

ANNEX 3—NON-GERMAN REPARATIONS.

The undersigned governments, animated by the same spirit as inspired the declaration signed on the 6th of June by the five inviting powers, are agreed and recommend to the conference that a committee consisting of one representative of each of the governments concerned shall be set up to consider the group of questions known as "non-German reparations" and cognate questions, viewing them within the framework of the general settlement.

ANNEX 4—RESOLUTION RELATING TO CENTRAL AND EASTERN EUROPE.

In order to attain the object of the financial and economic reconstruction of Central and Eastern Europe, the conference decides to appoint a committee which will be entrusted with the duty of submitting to the organizing committee of the European Union, at its next session, problems as to the measures required for the restoration of the countries of Central and Eastern Europe, and in particular

(a) Measures to overcome the present difficulties of those countries and to make possible the progressive suppression, subject to the necessary safeguards, of the existing system of exchange control.

We are of the opinion that in order to permit the work of the said committee to proceed undisturbed without prejudice to any question of principle, or to the solution which may ultimately be reached, the execution of the payments due in respect of the above-mentioned question should be reserved until the 15th of December next, failing a settlement before that date. Signed at Lausanne the 7th of July, 1932, for the governments of:

(Here follow the signatures of the six inviting powers.)

(b) Measures to revive the activity of trade both among those countries themselves and between them and other States, and to overcome the difficulties caused to the agricultural countries of Central and Eastern Europe by the low price of cereals, it being understood that the rights of such countries shall remain reserved.

Accordingly the conference invites the governments of Austria, Belgium, Bulgaria, Czechoslovakia, France, Germany, the United Kingdom, Greece, Hungary, Italy, Poland, Rumania, Switzerland and Yugoslavia each to appoint no more than two representatives on the committee referred to above.

ANNEX 5—RESOLUTION RELATING TO A WORLD ECONOMIC AND FINANCIAL CONFERENCE

The conference, apart from the questions already dealt with in this resolution, has further undertaken to decide upon "the measures necessary to solve the other economic and financial difficulties which are responsible for or may prolong the present world crisis."

The main questions of this order which demand examination are as follows:

(a) Financial questions: Monetary and credit policy, exchange difficulties, the level of prices, the movement of capital.

(b) The economic question: Improved conditions of production and interchange, with particular attention to tariff policy, prohibition and restriction of importation and exportation, quotas and other barriers of trade, producers and agreements. The conference emphasizes in particular the necessity of restoring the currencies on a healthy basis and of thereby making it possible to abolish measures of exchange control and to remove transfer difficulties. Further, the conference is impressed with the vital need of facilitating the revival of international trade.

To achieve the above purposes:

The conference decides to invite the League of Nations to convoke at a convenient date and at a place to be fixed (not necessarily Geneva) a conference on monetary and economic questions. The conference decides to entrust the preliminary examination of these complex questions, which are closely interdependent, to an authoritative committee of experts. The conference therefore invites the Governments of Belgium, France, Germany, Italy, Japan and the United Kingdom each to appoint as members of the committee two experts, one qualified to deal with economic questions, the other qualified to deal with financial questions. The committee would divide itself into two subcommittees according to the two branches of the subject. The two subcommittees would naturally have discretion to meet in joint session whenever necessary, with the object of insuring the necessary coordination in their labors.

The conference further resolves to invite the Government of the United States of America to be represented on the committee on the same basis as the governments of the States mentioned above.

Finally, the conference invites the Council of the League of Nations to nominate three persons qualified by their financial competence and three persons qualified by their economic competence. It would be desirable that these persons should be nationals of countries other than those mentioned above. They might seek assistance from the directors of the economic and financial sections of the secretariat of the League.

The conference similarly seeks the collaboration of the Bank for International Settlements and decided to invite the latter to nominate two persons to participate in the work of the subcommittee on financial questions.

The Hoover Disarmament Plan

A YEAR and a day after launching the proposal for the moratorium that rescued Europe and no doubt the United States also from an economic catastrophe, President Hoover made the dramatic announcement to the newspaper men assembled at the White House that the American delegation at Geneva was at that moment presenting a plan for a reduction by one-third of the armament burden of the world and the total abolition of all tanks, all bombing planes, all large mobile guns and all instruments of chemical warfare. The immediate effect of these proposals was to breathe new life into a body that seemed moribund.

Then, on July 7, the British Government countered with a proposal of its own, somewhat similar to the Hoover scheme, but varying in one essential. Speaking in the House of Commons, Stanley Baldwin asked reduction of armaments by one-third, not in the treaty number and tonnage of battleships, but in the tonnage and gun calibre of all categories of naval vessels. "The whole scale would come down together and there would be a definite return to smaller dimensions," the British disarmament policy read. "On this basis the United Kingdom proposal would effect an ultimate reduction of capital ship tonnage alone of 195,000 tons, while comparable figures under the United States proposal would appear to be about 175,000 tons."

From April 22 to June 10 the so-called technical commissions, largely composed of professional military and naval men, had been debating solemnly whether certain weapons are defensive in character and consequently may be retained, or are primarily offensive and should be abolished. Each delegation defended vigorously the weapons suited to the needs of : own country, and there was agr(ment in almost nothing except th gas and bacteriological warfare mı go.

The reports of the technical co: missions made it evident that t principle of qualitative disarmame (see June CURRENT HISTORY, pa 325) was not a fruitful one, and t professional pessimists freely pı dicted the complete failure of the co ference. The leaders realized, ho' ever, that from every point of vi(some positive result is essential a: they cast about for other formul which might bring agreement.

MacDonald went to Paris on Ju: 11 for a two-day conference wi Herriot on disarmament and repar tions. This visit marked a defini change in British tactics. Hither attempts had been made to reach preliminary agreement with t: Americans, and then to approach t] French. The result frequently w: irritation in Paris because the Fren(are intensely jealous of their nation prestige. Since they hold the wh hand progress was sure to be mo rapid after this fact was recognize The two Prime Ministers journey(together to Geneva, arriving there (June 13. During the next few da} their time was largely taken up t the discussions at Lausanne, but (June 19 conversations between tl leading delegates of France, Gre: Britain and the United States we: resumed. There were several meeting and both Mr. Gibson and Mr. Ma Donald talked with President Hoov(by telephone.

By 2 A. M. on June 22 enough pro; ress had been made so that messag(were sent out calling a meeting of th conference for the afternoon of th:

day. The secret had been carefully guarded, and when Mr. Gibson rose to speak there was intense interest. President Hoover's memorandum set forth five general principles on which his proposal was based: (1) That the Pact of Paris implies that arms can be used only for defense; (2) that reduction should be accompanied by an increase in the comparative power of defense; (3) that, generally speaking, the present relativity of armaments should be maintained; (4) that reductions should be sufficient to afford economic relief, and (5) that air, land and naval forces are interconnected and cannot be dissociated. He accordingly proposed that all tanks, all chemical warfare, all bombing planes and all large mobile guns should be given up; that all land forces in excess of the so-called police contingent should be decreased by one-third, the size of the police component to be determined by an average of the proportions allowed to Germany, Austria and Bulgaria in the peace treaties, with necessary corrections for powers having colonial possessions; that the treaty number and tonnage of battleships should be decreased by one-third, of aircraft carriers, cruisers and destroyers by one-fourth, of submarines by one-third, with 35,000 maximum tonnage of the last. Such a reduction would result, Mr. Hoover believes, in savings to taxpayers, during the next ten years, amounting to from $10,000,000,000 to $15,000,000,000.

Immediately, and without hesitation, Italy and the Soviet Union accepted the plan, but, as was to be expected, the other nations were not so responsive. France frankly did not like it, and had, in fact, attempted to dissuade the American delegation from proposing it. The opposition, both within the delegation and at home, was less united than usual. In the Chamber of Deputies and in the Paris newspapers, it was condemned by the Right, but the Left generally agreed that it merited consideration. The Right argued that the sacrifice demanded of France was disproportionate. With no compensating international guarantees, she was asked to surrender the arms that give her security. To accept the proposal would seriously affect her present dominance in Europe. Herriot's statement, issued after a Cabinet meeting on June 25, almost completely condemned the plan, but subsequently more moderate views gained ground.

The British were less cordial than could have been wished. Their attitude was doubtless determined by the desire not to antagonize France and by traditional fear of anything that may reduce their naval strength. The backbone of the present National Government is Conservative, and most of the "blue water" people are of that party. If they are to be held in line, the delegation must be cautious. With the exception of *The Morning Post*, which can be counted on to oppose any sort of concession, the newspapers commented in a distinctly favorable tone. In response to questions in the House of Commons, the spokesmen of the government were entirely non-committal, but that they were in principle agreed with the American scheme was shown by their own proposal of July 7. On his return to Geneva, after his visit to London to lay the Hoover plan before the Cabinet, Sir John Simon sought an informal five-power discussion of the naval section, but he was opposed by the American delegation on the ground that the principle of the interdependence of all arms must be maintained.

As was to be expected, Japan's reception of the Hoover plan was definitely hostile. She does not admit that her present ratio of armaments represents her actual needs, confronted as she is by both China and Russia. She has always resented the 5-5-3 ratio,

and her experts hold that the amount of tonnage which the plan would require them to scrap is entirely disproportionate. As she credits the United States, justly enough, with leading the opposition to her plans in Manchuria, she is not well disposed to proposals of American origin. The present complete control of her foreign relations by her military and naval men is a serious obstacle in bringing her to agreement.

Germany is affected by the proposal only in so far as it does not satisfy her demands for equality and for cancellation of the sections of the Versailles Treaty relating to her own disarmament. While she is bound to maintain this principle she will hardly oppose this approach to her desires. The attitude of most of the smaller powers seems to be favorable.

Despite the fact that both the Republican and the Democratic platforms approve the principle of consultation, President Hoover displays a curious reluctance to enter upon an agreement to do what he says we intend to do—to follow the precedent set by the consultation in the Sino-Japanese affair. A formal statement of our policy would be very helpful, particularly in France, in securing popular support of the concessions which we desire. If this could be incorporated in a treaty along the lines suggested by the Committee on Economic Sanctions, making it certain that we would not give economic support to an aggressor, we would remove an important obstacle to disarmament.—J. T. G.

America's Efforts for Recovery

By E. Francis Brown

The mid-Summer doldrums, with the party conventions over, the Congressional session near an end and the fiscal year of the Federal Government concluded, present an opportunity to consider the state of the nation. For more than seven months Congress has been wrestling with the many problems presented by the world-wide depression; business leaders, individually and collectively, have been seeking ways to restore the nation's economic life; while ordinary citizens have been adapting themselves, as well as may be, to the stresses and strains placed upon them by a troubled world. What are the high lights of the picture?

In the public mind, at the moment, the 1932 political campaign holds a prominent position. (See the article "The Conventions of 1932" on page 521 of this issue.) Party candidates have been selected, platforms presented and, during the next four months, the pleading by representatives of the various political affiliations for popular support will be heard through the land. Whether the Republicans or the Democrats win at the polls, the responsibility of government and leadership which will fall upon the victorious party will be well nigh crushing.

One of the great burdens will be that of government finance with its far-reaching implications. Both major parties in their platforms have pledged themselves to economic administration of public affairs and to reduction of the costs of government, but the success with which such a promise can be carried out is debatable. The nation has just witnessed the

attempt of Congress to reduce governmental expense and has obtained some appreciation of the difficulties involved.

In his budget estimates for the present fiscal year President Hoover proposed reductions totaling $365,000,000 —a figure to which Congress added a further reduction of $125,000,000 in the routine appropriation bills. Moreover, an omnibus economy bill enacted by Congress is expected to add $150,000,000 to the savings in the cost of governmental operation. But these economies were achieved only after prolonged and arduous negotiations.

The omnibus economy bill plagued members of Congress for several months but was finally passed on June 28 and two days later was signed by President Hoover, though with "limited satisfaction." In Congress its history had been troubled and the bill was the cause of frequent, acrimonious exchanges between the President and the two legislative houses. The principal issue was the President's insistence that a thirty-day furlough without pay be compulsory for all Federal employes—a proposal which was bitterly attacked by the House although accepted by the Senate. Eventually the President carried his point and the furlough plan became the basic economy. In its final form the bill satisfied no one, but responsibility for its failure to achieve greater reductions in Federal expenses can be placed on the lack of cooperation between the President and Congress.

The economy bill became law at the end of the fiscal year on June 30; at the same time the departmental appropriation bills were being rushed through Congress. On July 1, when the new fiscal year, 1932-1933, began, the supply bills for the War Department and the Department of Agriculture were unable to make progress because of the inability of the Senate and the House to agree on items contained in them. The House insisted upon the elimination of 2,000 army officers as an economy measure, but the Senate withheld its consent with the result that the War Department began 1932-33 without funds for the performance of its functions. The Agricultural Department bill was held up by the opposition of House Democrats to an item for carrying on war against grasshoppers. The bill finally passed on July 5 after the grasshopper item had been eliminated.

These economies and the added income from the tax bill passed on June 6 (see July CURRENT HISTORY, page 466) were expected to prevent the recurrence of a deficit comparable to that of approximately $2,885,000,000 for the fiscal year 1931-1932. This figure is $762,000,000 greater than the estimate made by the Secretary of the Treasury at the beginning of the session of Congress in December, 1931, but some of the discrepancy is due to the demands made upon the Treasury by the Reconstruction Finance Corporation and the Federal Land Banks. At the close of the year the public debt was $19,487,002,444, as compared with the pre-war debt, which on March 31, 1917, amounted to $1,282,044,346.

Another problem which is almost certain to demand the attention of the Federal Government for many a day is unemployment. This question, like so many that now confront the nation, should have been considered years ago and attempts made to meet it before an economic crisis made a solution temporarily impossible. The answer to the problem of unemployment will have to be given later; for the moment all that the government can do is to apply palliatives.

For over two months Congress has sought to enact legislation that would partially care for those out of work and not be too repugnant to members of Congress or to the occupant of the White House. (See July CURRENT HISTORY, page 468.) The House, it will be recalled, on June 7 passed a bill providing that a total of $2,290,000,000 be expended for unemployment

relief measures of various sorts—a Democratic measure to which President Hoover was unalterably opposed. Several proposals were before the Senate at the beginning of June, but it was not until June 23, after labor leaders and social workers had stressed before the Senate the need of immediate relief, that the upper house passed a bill providing for the expenditure of $2,300,000,000. The bill included $300,000,000 for loans to the States, which had been voted earlier by the Senate, as well as $500,000,000 for Federal construction projects, $1,460,000,000 for loans to States, political subdivisions and private corporations for self-liquidating enterprises and $40,000,000 for financing agricultural exports. The bill then passed to conference where representatives of the House and Senate tried to iron out the differences between the bills which had been passed by the two bodies.

The conference report, which was brought in on July 1, provided for a total relief budget of $2,100,000,000. Of this sum $1,500,000,000 would be handled by the Reconstruction Finance Corporation for loans to public and private enterprises, $300,000,000 for the construction of public works, $200,000,000 for direct loans to the States on the basis of population and $100,000,000 for direct loans to the States on the basis of need. But before the House could act on the conferees' report it was withdrawn because of President Hoover's opposition and consideration was delayed until after a White House conference between the President, Treasury officials, members of the Reconstruction Finance Corporation and Congressional leaders.

The President was especially opposed to lending money "to individuals, private corporations, partnerships, States and municipalities on any conceivable kind of security for every purpose." As he advocated loans to private enterprises, although on a somewhat different basis, only two months earlier, there was reason behind the refusal of Congressmen to accept Mr. Hoover's new position. On July 6 Speaker Garner assailed from the floor of the House the attitude of the President, declaring that he was interested in aiding only a "selected clientele." But as for himself, Mr. Garner declared that he was "through with class legislation" and "desired to help the whole people." The merits of the dispute are difficult to decide since politics, as well as two widely separated theories of social and economic organization, is involved.

In spite of the threat of a Presidential veto the House on July 7 adopted the conference report on the Wagner-Garner unemployment relief bill. On July 9 the Senate acted favorably on the bill, which was then sent to the White House where, two days later, it was vetoed.

While Congress debated the unemployment relief bill, the plight of those without work grew steadily worse and their number increased. As usual there are no exact figures, but the Department of Labor in the middle of June indicated that it agreed with the estimate of the American Federation of Labor that more than 10,000,000 workers were unemployed. In many communities funds for relief have been exhausted, or nearly so, while the burden in a host of cities—in New York City expenditures are now on a basis of $65,000,000 a year— is overwhelming.

Closely related to the unemployment problem at the present time is the agitation for immediate payment of a bonus to the veterans of the World War. The march of veterans—most of whom were unemployed—on Washington and their encampment on the outskirts of the city (see July CURRENT HISTORY, page 470) failed to obtain the passage of legislation favorable to the ex-soldiers, and created a threatening situation to the health authorities and police of the

capital. A bill for payment of the bonus passed the House on June 15, but, as had been expected, was rejected by the Senate two days later. It was hoped that this defeat would bring about the disintegration of what had become known as the Bonus Expeditionary Force, but the passing weeks saw more than 10,000 men still encamped at Washington, agitating for payment of the bonus and maintaining themselves on meager rations. The unhealthy conditions of their camp frightened Washington authorities, who feared the outbreak of epidemics; moreover, the presence in the city of so large a force of disgruntled men was a constant menace to law and order.

On July 7, the House, acting upon the request of President Hoover, passed a resolution appropriating $100,000 for railroad fares and other expenses which would enable members of the B. E. F. to return home. The Senate, which had previously passed a similar resolution, substituted that of the House for its own and the appropriation bill was sent to the President. The bill provides that the advances made to the veterans shall be charged against their adjusted compensation certificates when they become due.

Whatever may come of the present agitation for veterans' aid, there can be no doubt that before long a too charitable government must tackle the problem of expenditures to the men who participated in the World War and to their families. (See the article, "Billions for Veterans" on page 557 of this issue). The burden is too heavy to be borne in abnormal times and, moreover, an element of justice to American citizenry as a whole is involved. But this ticklish problem awaits further consideration.

The prohibition issue which has grown steadily more insistent in American life likewise awaits answer. The month of June witnessed the adherence of several important drys to the wet cause, notably John R. Mott, president of the World's Alliance of the Y. M. C. A., and the defection of the traditionally dry State of North Carolina to the wet column through the overwhelming defeat for the Senatorial nomination of an outstanding prohibitionist, Senator Cameron Morrison. The repeal plank in the Democratic platform and the somewhat equivocal statement by the Republicans has renewed agitation in Congress to legalize 4 per cent beer, to modify the present prohibition law or to repeal the Eighteenth Amendment. Meanwhile irreconcilable prohibitionists declared war on both major political parties and commenced what to many seemed to be a last stand before the onslaught of rising anti-prohibition sentiment.

But prohibition probably has received more than its share of public attention and has tended to obscure the importance of other problems before the nation. Outstanding among these is the needed reform of the American banking system. In spite of the fact that in the past ten years almost 10,000 banks have failed in the United States and that these failures have continued to mount steadily, little attempt has been made to improve the system which permitted such a situation. Senator Glass in the recent session of Congress sponsored a bill proposing many changes in banking methods but, perhaps largely through the opposition of banking interests, it was sidetracked on June 15, while small banks up and down the country continued to crash dismally.

In close partnership with the need for reform of the banking system is the question of stock exchange practices and of the speculation which in the past few years aided indirectly in bringing banks to ruin. On June 24, the Senate's inquiry into the stock exchange ended suddenly without any very sensational disclosures, although in the minds of many people there

was a feeling that if the Senate investigators had probed more deeply they might have discovered customs which would have stimulated a demand for more careful supervision of the exchange and the buying and selling of securities.

In any survey of the state of the nation it is necessary to consider the various measures which have been taken to bring about economic recovery, their effect to date and their implication, if any. Of greatest prominence, of course, is the Reconstruction Finance Corporation, which came into being last January and has been making loans to banks, railroads and farmers. Within less than five months the R. F. C. advanced funds to one out of every seven banks in the country; the railroads borrowed heavily also, and, during June, loans to them reached a total of $29,589,563, the largest amount for any single month since the R. F. C. began operations.

The benefits bestowed by the R. F. C. are debatable. Its loan policy has apparently kept many banks from failing and has kept railroads out of the hands of receivers. But the corporation has been unable to restore the nation's economic life, and whether the present situation would be worse if the R. F. C. had never been organized is something that will never be known. One financial writer has said that "the formation of the corporation did not mark the turning point of the depression. What it did mark was the start of a scheme for the socialization of losses on a scale that never has been equaled in another capitalistic economy."

Late in June the R. F. C. indicated that it would no longer attempt to support small banks which found themselves in difficulties. As a result a series of small institutions, especially in the Chicago area, were closed, runs developed on the larger banks and hoarding apparently was resumed, since the amount of currency in circulation rose $144,000,000 in a week, wiping out all the gains achieved by the anti-hoarding drive which was initiated last February. Although the policy of the R. F. C. has seemingly kept the railroads from insolvency, it, of course, has been unable to restore their earnings, which have fallen steadily every month.

If business conditions should improve soon, the work of the R. F. C. undoubtedly would receive the stamp of approval, but if the depression continues for any great period, it seems probable that the policies of the corporation will give rise to far-reaching problems. The amount of money that can be lent to banks and railroads is not unlimited; moreover, what follows if on these loans the borrowers should default?

The Glass-Steagall bill, which was enacted soon after the establishment of the R. F. C., has made it possible for the United States to withstand the prolonged drain on its gold reserves and, for the moment, has insured the maintenance of the gold standard. (See article "The World's Shifting Gold Reserves" on page 540 of this issue.)

Three other measures have been attempted to improve conditions. The Congressional investigation of short-selling amounted to little, either as an investigation or in its effect on economic activity. The Federal Reserve attempt to inflate credit by purchasing government securities served only to "demonstrate the utter futility of the theory which inspired it." And, finally, the bond pool which was formed early in June "to do something" has done little more than retard the steady decline of bond and stock prices.

President Hoover's final major proposal for economic recovery, the establishment of Federal home-loan banks, was passed by the House on June 15, but on July 11 still awaited the approval of the Senate. The bill as passed provided for the setting up

of from eight to twelve home-loan banks throughout the country, each with a capital stock of not less than $5,000,000. A fund of $125,000,000 is to be provided by the R. F. C. in case the capital for the district banks is not fully subscribed. The chief purpose of the bill is to stimulate the building of homes where ordinary mortgage credit is unavailable.

Meanwhile, as we have seen, unemployment has increased steadily, business conditions have grown worse, while farm prices, with isolated exceptions, have achieved record lows. The economic condition of the nation obviously is worse than when the Administration's program for restoring prosperity was initiated. The rehabilitation program has succeeded only in postponing the day of reckoning, and that is small praise.

It is significant that at a time of unquestioned economic distress, when the organization of government as well as the economic order is under fire, only palliatives are proposed and no attempts have been made to correct any of the elements in the system of capitalistic production which the present breakdown has shown demand attention. Among radicals and liberals there has been much talk of "a practical program for America," but it has got nowhere. Economists, as well as captains of industry, have praised the idea of national planning, but nothing has been done. At the present time about all that can be suggested seems to be the substitution of some form of governmental dictatorship, managed by big business, for the present democratic system, but even here there is no agreement as to who is to be dictator. The irreverent have suggested that since business leaders did not understand how to keep the nation from economic difficulties, they cannot be expected to restore, with any degree of success, the ruptured fabric of our economy.

At the present time the talk of dictatorship—revolution from above—is more in evidence than that of social overturn through a rising of the oppressed classes. In spite of the burden of hardship which the economic depression has placed upon the working-classes there are but few signs of social unrest or active discontent. The talk of revolution comes from the bourgeois liberals who have suddenly lost what they believed was economic security and who, unaware of how revolutions come about, believe that their own distress is of the sort from which great changes spring. Possibly, however, the cleavage between the very rich and the rest of the population has been exaggerated by the depression; it is this apparent cleavage that the Democrats seem bent on capitalizing in the pending political campaign.

Social changes are taking place, painfully in a good many instances, but without any great disturbance. Many people, if unsubstantiated but apparently credible stories can be accepted, are leaving the cities to take up residence on farms or in country villages where living is cheaper if no easier. Historians of a later day will be able to ascertain whether the movement is significant. Actually what is happening to the farmer is hard to determine. The American standard of living has undoubtedly fallen, but in many instances the drop has not entailed suffering, but rather a return to a saner, less frivolous, less extravagant way of life. What the crisis means in suffering and sorrow to the masses of the population can never be told; future generations, however, will reap the fruits of the malnutrition and privation which have accompanied the depression in the cities and towns of the United States.

Such is the picture at the end of the terrible first half of this year 1932.

Mexico Voids Confiscation Laws

By CHARLES W. HACKETT
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A STORM of opposition by business men and politicians throughout Mexico to the radical expropriation laws passed in the States of Hidalgo, Vera Cruz and Michoacán has resulted in the notification of the first two States by President Ortiz Rubio that the legislation is unconstitutional and must be revised.

Following the example set by Hidalgo late in May, the State Legislatures of Vera Cruz and Michoacán passed expropriation laws early in June. A translation of the Vera Cruz act as published in the official *Gazette* on July 2 follows:

Art. 1. Property rights of all classes of possessions may be subject to enforced expropriation for reasons of public utility, with indemnification.

Art. 2. Public utility is that which tends to benefit the State, the municipalities, the State inhabitants in general and workmen's and peasants' organizations.

Art. 3. All sources of wealth or of labor existing within the State, such as agricultural, commercial and industrial concerns, urban and country buildings, capital and other wealth susceptible to expropriation, will come within Art. 1, and for that reason will be subject to expropriation under the circumstances indicated in Art. 1.

Art. 4. The declaration that work or works, occupation of one or several properties or the exploitation of one or several sources of wealth or of labor, is a public utility is under the authority of the State Governor, provided the application of any Federal decree or law is not concerned.

Art. 5. The procedure for expropriation referred to in this law, including everything connected with indemnification, shall be governed by Law 323 of July 22, 1930.

El Nacional, organ of the National Revolutionary party (the government party), denounced the Vera Cruz law in an editorial on June 5, stating that "outright communism would be much easier and more logical," and that the party could not support legislation that was clearly unconstitutional. Protests against the laws were drawn up by a score of Chambers of Commerce. On June 8 President Ortiz Rubio, while on a week-end visit to the Governor of Hidalgo, announced that they were discussing modifications of the Hidalgo law. Two days later it was announced at the office of the President that a juridical commission, headed by Attorney General José Aguilar y Maya, had been appointed to pass on the constitutionality of the expropriation laws of the States of Hidalgo, Vera Cruz and Michoacán, and that pending the investigation the laws would be suspended. The following day Governor Adalberto J. Tejada of Vera Cruz left the State capital for Mexico City in response to peremptory orders from Minister of War Calles to appear in the national capital and explain the Vera Cruz law.

The unpopularity of the expropriation laws and the general alarm in business circles that was caused by them was reflected in the sharp decline of the silver peso from an exchange value of 3.63 pesos per silver dollar on June 4 to 3.90 on June 10.

A modification of the expropriation law of Hidalgo to remove doubts as to its constitutionality was promised by Governor Lugo of that State on June 11. This announcement followed a conference with Secretary of the Interior Juan José Ríos, after the law in Hidalgo had met a reversal in the District Court at Pachuca. The same

day it was reported that the Governors of Hidalgo, Vera Cruz and Michoacán had been summoned to Mexico City for conferences regarding the expropriation laws recently passed in those States. The Governors of the first two States conferred with government attorneys on June 15. Two days later the Department of the Interior announced that President Ortiz Rubio had notified the States of Hidalgo and Vera Cruz that their expropriation laws required revision because of their unconstitutionality. The following day President Ortiz Rubio telegraphed all State Governors in Mexico asking their cooperation to prevent the adoption of laws similar to those enacted in Hidalgo and Vera Cruz. He said in part:

> The Federal Government is aware of changing social conditions and change in the political and social sciences; it also remembers the revolution's obligation to the working classes. I feel that the present is not the moment to proffer to the outside world a panorama of disintegration in our system of government in order to accede to the wishes, not of the majority that governments must always strive to satisfy, but a minority, for measures which perhaps would be misunderstood as far as results were concerned. * * * I feel certain that you will employ all the means within your power and within your constitutional rights when your local Legislature is studying any law that in your opinion might contribute to an increase in the general perturbation, and will communicate, before approving such laws, with the Federal Government to coordinate ideas, which is indispensable to reach harmonious action regarding legislative matters.

An agreement providing for an extension for two years of the general and special claims conventions between Mexico and the United States has been signed, according to a Department of State announcement on June 18. The conventions, which were originally signed in September, 1923, expired in August, 1931. At the same time that the conventions were extended, two protocols were signed, "one for each convention, relating to the functioning of the commissions and covering such matters as the expediting of the hearings of claims, the fixing of the place of future meetings, the submission of evidence and the proposing of certain standards of interpretation."

PANAMA'S NEW PRESIDENT

The election of Dr. Harmodio Arias, Doctrinal Liberal, to the Presidency of Panama on June 5 was free from disturbance, although, when the results were announced, the San Blas Indians were reported to have gone on the warpath because of the defeat of Dr. Francisco Arias Paredes, Reform Liberal, who had conceded his defeat in a friendly letter dated June 7. The uprising of the Indians was reported to have been quelled without serious consequences by June 9. Appreciation for the cooperation received from the army and naval authorities of the United States and for the "friendly and efficacious cooperation" of United States Minister Roy T. Davis in encouraging a fair election was expressed to the United States Government by the Panaman Minister to the United States, Dr. Horacio F. Alfaro. In reply, Secretary of State Stimson praised the orderly conduct of the election in Panama. The inauguration of President Arias is scheduled for Oct. 1.

As a result of a decline of revenues resulting in a deficit of $125,000 a month, a reduction of probably 10 per cent in the salaries of all government employes, effective on July 1, was decided upon by the President of Panama and his Cabinet on June 15.

Payment of $2,201,874.05 in interest charges and amortization on its external and internal indebtedness was made by the Government of Panama between March 1, 1931, and April 30, 1932, according to an official announcement on June 18.

REBEL ACTIVITY IN NICARAGUA

Clashes between Nicaraguan rebels and Nicaraguan National Guardsmen, which, during May, resulted in the

death of twenty rebels and the wounding of forty others, continued during June. No fewer than seven engagements between rebels and guardsmen were reported between June 2 and June 24. During this period at least sixteen rebels were known to have been killed and probably ten wounded. The guardsmen were reported to have suffered no casualties in any of the skirmishes except one on June 18 and another on June 20, in each of which one guardsman was wounded.

In an article by Augusto Sandino, published in Tegucigalpa, Honduras, on June 15, the assertion was made that Sandinistas had fought nine battles against the National Guard, that those killed in the battles, including seven United States Marines, numbered 131, that thirty of the guardsmen were wounded and that the insurgents captured twenty-nine rifles, seven machine guns and 19,000 cartridges. Sandino concluded his article by asserting that he and his followers would "oppose by force of arms whatever election farce may be attempted with the aid of foreign supervision."

Rear Admiral Clark H. Woodward, U. S. N., was sworn in before the Nicaraguan Supreme Court on June 23 as president of the National Board of Elections, which is to have complete jurisdiction over the forthcoming general elections in Nicaragua. In an appeal for cooperation he said, "Our supervision over the coming elections is the final step in our program to help Nicaragua."

ABORTIVE REVOLT IN HONDURAS

The excitement attendant upon a presidential campaign in Honduras, which is to be terminated by an election in October, flared into an abortive revolution early in June. In a clash between 500 government soldiers and a slightly larger rebel force at La Barranca on June 7, fifty-one men were reported to have been killed. The rebels were charged by government spokesmen with being supporters of General Tiburcio Carias Andino, Nationalist candidate for the presidency. But General Carias, in a statement issued on June 8, condemned the revolt and disclaimed any connection with it. To cope with the situation, martial law was declared in the Departments of Cortés, Santa Bárbara and Copán on June 8. Reverses for the rebels were reported on June 11 and again on June 14, after which the government claimed that the backbone of the revolt was broken. The rebels were reported on June 22 to be retreating toward the Guatemalan frontier, and the country was said to be relatively quiet.

TERRORISM IN CUBA

Bombings and other terroristic activities of dissident political elements in Cuba were more frequent and of a more serious character during the month under survey than for several months past. On May 31 bombs exploded almost simultaneously in three of Havana's most prominent schools; some property damage was done but no persons were injured. Five days later a cache of arms, ammunition and documents was seized at the Havana immigrant station. A bomb exploding in a park in the city of Santa Clara on June 7 killed two persons and severely wounded twelve others. The same day political gatherings were banned in the Province of Havana. An attempt to assassinate President Machado was frustrated on June 10 when a bomb was discovered at a street corner which the President was soon to pass. Three men, all members of prominent families, were arrested in connection with the discovery. The following day Dr. Pedro Herrera Sotolongo, noted oppositionist lawyer and attorney for several noted political prisoners, was arrested. Sixty Cubans, charged with being implicated in the plot to assassinate Presi-

ient Machado, were arrested by Cuban police in a raid on June 13. The wholesale arrest of hundreds of Cubans was reported on June 14 to be under way in Cuba in a drive against alleged terrorism. Reports stated that 200 warrants had been issued in Havana, where the jails were already overflowing. In Santa Clara forty-two prominent citizens were reported to have been arrested on charges of being enemies of the government.

A bill suspending constitutional guarantees throughout Cuba for one year and authorizing the chief executive to extend the period for another two years was signed by President Machado on June 23. The effect of the law was to prolong the military rule which had been in force since Dec. 11, 1930; by this law Congress has also given President Machado the power to keep himself in office by force of arms until the expiration of his term in 1935.

At a special Cabinet meeting on June 13 the budget of the Cuban Government for 1932-1933, effective on July 1, was fixed at $50,400,000. It was also decided to create new taxes to bring the revenue up to this figure. In view of a deficit of $9,000,000 in the 1931-1932 national budget, it has been estimated that new revenues must amount to about $10,000,000. Proposals for numerous new taxes were announced by Secretary of the Treasury Ruiz y Mesa on June 17. They include levies on the salaries of public employes, changes in the stamp tax and a tax on identification cards issued to foreigners, of whom there are about 550,000 in Cuba. Tax increases were proposed on radios, amusements, spectacles, rice, profits and consular fees. Many new sales taxes were also predicted.

Dr. Orestes Ferrera, former Cuban Ambassador at Washington, was installed as Secretary of State on June 1.

The Chilean Scramble for Power

By HENRY GRATTAN DOYLE

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THE return to Chile of former President Carlos Ibáñez on July 6 was the culminating event in a month of such variety of incident as to appear to justify the term "Chilean merry-go-round" applied to recent happenings in that country by an American editorial writer. Colonel Ibáñez, who had been living in Argentina since his overthrow on July 26, 1931, arrived in Santiago by airplane and, according to reports, received an enthusiastic welcome from a crowd of 500 persons, including the Mayor of Santiago. On July 7, after a conference with Provisional President Dávila, the former dictator of Chile declared that he did not seek office. At the same time he urged Chileans to support the government of Dr. Dávila.

Rumors assigned to the ex-President two contrasting political rôles in an uncertain situation. According to one report Colonel Ibáñez was likely to accept the post of Minister of Defense in the Dávila Government. This would probably strengthen the latter, not only because of Ibáñez's popularity with the army and navy, but because the national constabulary, or "carabineros," upon which any gov-

ernment must depend to maintain order, was the creation of the former President, and was reported still to be devoted to him. Such support would mean much to Dr. Dávila, who was an upholder of Colonel Ibáñez during the latter's heyday.

According to the other interpretation of Ibáñez's reappearance, he was to fall heir to the constitutional government of President Montero, which the Dávila-Grove coup of June 4 overthrew. As pointed out in these pages last month, it would only be necessary for President Montero to appoint Ibáñez Minister of the Interior and follow this by resigning as Constitutional President, having first obtained the resignation of the Vice President in order to bequeath all constitutional rights to Ibáñez. Under the Constitution, the Minister of the Interior becomes Acting President in the event of the death or resignation of the President and Vice President. While such a claim to the Presidency might mean little under revolutionary conditions, it could be a great asset should the Dávila Government collapse. Moreover, it would be important as a basis for foreign recognition. Part of the technique of revolution in Latin America is the preservation of constitutional succession by the proper arrangement of appointments and resignations, according to law, by representatives of the new régime. Recognition by the United States would probably be greatly facilitated by conforming to this procedure.

But such an outcome was based upon the assumption that President Montero is ready to admit that a purely democratic and civilian government, of which his relatively brief régime was such a splendid and heartening example, is undesirable in the present stage of Chilean affairs; and that he was willing to admit that the former dictator was the "man of the hour," the only hope of the middle and professional classes against the threatened rule of the proletariat. Such an outcome, while a defeat for democracy, would at least have the negative virtue, in the eyes of Montero and his followers, of being a worse defeat for unacceptable economic ideas and a guarantee against political chaos.

But rumor and conjecture ended on July 9 when Colonel Ibáñez with the aid of certain army groups tried to overthrow the Dávila régime and seize power for himself. When the fallen dictator realized that the strength of his support was not as great as he had anticipated, he took refuge in a friendly garrison near Santiago and soon afterward left the capital.

Reference has been made to the "merry-go-round" of events since the revolt of June 4 and the break in the ranks of the revolutionary junta on June 12, when Dr. Dávila withdrew and was succeeded by Rolando Merino. This move was generally interpreted as a setback to the moderate policy which Dr. Dávila, in view of his record and expressed opinions, was believed to be advocating, especially in the matter of foreign investments. Concern felt abroad was not materially alleviated by a statement that the new junta was not considering any immediate steps affecting foreign interests.

On June 17 Dr. Dávila was restored to power as suddenly as he had relinquished it. A military counter-revolution, in which the carabineros refused to shed blood in defense of Colonel Grove, the dominating force in the reconstructed junta, resulted in the capture of La Moneda Palace and the arrest of Colonel Grove and Eugenio Matte, his associate in the new junta. The new junta, which replaced the group dominated by Colonel Grove, consisted of Dr. Dávila, Senator Armando Cabero, a former member of President Montero's political party (the Radicals), and Nolasco Cárdenas, a former Deputy. General Arturo Puga, who had been forced out by Grove at the same time as Dr. Dávila, was named Minister of De-

fense in the new Cabinet. It was obviously a compromise Cabinet, intended to mollify supporters of the Montero régime. Colonel Grove and Señor Matte were placed aboard the destroyer Lynch, which was to take them to the penal colony on Más Afuera, the outermost island of the Juan Fernández group, about 400 miles off Valparaíso in the Pacific, a favorite place of exile for political disturbers.

The following week proved to be a serious test for the government. Rebel aviators were reported to have tried to detain the Lynch and to have captured several airports, but this report was officially denied. A strike of railway workers in protest against the arrest of Colonel Grove was broken by placing the State railways under the army and making participation in the strike a military offense. Similar strikes of bakery and slaughter-house workers were put down with a heavy hand, and a sympathetic strike of the Braden Copper Company's employes likewise failed when the junta decreed that interference with the manufacture or sale of foods or with public services was an offense punishable by death. Street disorders in Santiago and Valparaíso on June 20 and 21 resulted in a number of casualties among radical rioters. Curfew measures closing all places of amusement at 9 P. M. and requiring persons on the street after 10 P. M. to have military passes were put into effect.

Meanwhile the Lynch had reached Juan Fernández, whence her commander radioed that the presence of numerous motor boats made the problem of keeping Colonel Grove in exile a serious one and that the guards should be reinforced. In the midst of all this Dr. Dávila fell ill with the grip and had to transact much of the government's business from his bedroom.

Foreign interests were somewhat relieved by a decree restoring the Central Bank, which had been converted into the Bank of the State by Colonel Grove's régime, to its former status established on the recommendation of Professor Kemmerer, the American fiscal expert. It was further announced that four European economists, two from France, one from Germany and one from Italy, had been engaged as economic advisers to the government. The administration also ordered the return to the owners of the foreign gold currency totaling 3,000,000 pesos — about $240,000 — seized in raids by carabineros on fifty-five jewelry stores and foreign exchange shops on June 11 in accordance with the junta's decree of June 10 expropriating foreign currency and forcibly converting it into pesos. Announcement was made that the employment crisis was to be met by opening public lands to the unemployed.

By June 25 conditions seemed to have improved sufficiently to permit modification of the curfew regulations; theatres were allowed to remain open until midnight and street traffic was permitted until 12:30. In a radio address on that date the Provisional President declared that Chile had been on the verge of anarchy, and assumed full responsibility for the repressive measures taken. On June 27 new difficulties faced Dr. Dávila when his two colleagues in the junta resigned because of disagreement with his policies. It was reported that Senator Cabero had advocated a provisional government under a president appointed by President Montero so as to preserve the constitutional succession. Perhaps as a sequel to this action, Dr. Dávila announced on June 29 that a constitutional assembly would be called to meet on Oct. 2 to rewrite the Constitution along socialistic lines. In the elections of members of the assembly, it was announced, the interests of labor organizations would be placed above those of political parties.

Throughout these weeks Dr. Dávila had undoubtedly been waging a gallant fight against terrific obstacles.

His attempt to steer a middle course between conservative and radical groups had been obvious. He now came into conflict with army and navy officers, who have never been satisfied with the centralization of army, navy and air forces under a single Ministry of Defense—a step initiated by the Montero Government—and who apparently hoped to forestall an inevitable cut in military expenses and salaries. An order to disband the destroyer division, issued on July 4, caused high navy and army officers to present an ultimatum, demanding the immediate resignation of the Provisional President. Confident of the support of the enlisted men of the two forces, Dr. Dávila refused, declaring that the civilian government would continue despite the reports that a military dictatorship was planned. Unconfirmed reports of Communist rioting in Santiago on July 5, in which a number were killed by carabineros, suggested that a crisis was at hand. The police reported discovering stores of explosives in Valparaíso sufficient to destroy the entire city. It was at this juncture that Colonel Ibáñez returned to Chile and, while rumors were prevalent that the government was about to fall, conferred with the Provisional President.

Dr. Dávila's return to power coincided also with a crisis in the affairs of the $300,000,000 nitrate monopoly, "Cosach" (Compañía Salitre de Chile), which was formed under the Ibáñez Government by a merger of government-controlled and American-owned properties, in which the Chilean Government had a 50 per cent interest. The company has apparently been in difficulties for some months, with large quantities of nitrate on its hands for which there is little demand, while faced with the need of funds to meet its obligations. Withdrawal of the government, which would establish small plants to relieve unemployment, permitting Cosach to continue as a foreign corporation, was one expectation at the opening of July. The threat of insolvency because of default on working capital obligations in the form of acceptance credits due on July 1 was dispelled when New York and London bankers extended these obligations, secured by shipments of nitrate, for one year. Interest on Cosach bonds was paid on July 1, but two of the constitutent companies, Lautaro Nitrate Co., Ltd., and Anglo-Chilean Consolidated Nitrate Corporation, were reported in default of interest payments due on July 1 and May 1, respectively.

After preliminary conferences at Scheveningen, Holland, representatives of ten countries producing or largely consuming nitrates met in Paris on July 6 to discuss the formation of a world cartel which might control production through national quotas and thereby keep price levels high enough to make production profitable. The possibility that more than 2,000,000 tons of Chilean nitrates already in European ports might be thrown on the market disturbed European producers, and may induce them to include Chile on favorable terms in any agreement reached. In response to an inquiry on July 4, Finance Minister Zanartu cabled that foreign producers had no reason to fear "grave measures" unless they failed to reach an agreement with Chile at the conference. A report on July 6 said that nearly all European stocks of Chilean nitrate had been sold to European consumers formerly purchasing synthetic nitrates, but that completion of an agreement depended upon settlement of Cosach's difficulties, either by dissolution or by reorganization.

The interests of the nitrate combine, which were a political issue in the agitation against President Ibáñez last year, would seem to be assured of sympathetic consideration at the hands of Provisional President

Dávila and his government, or of any government in which Colonel Ibáñez might play an important part.

THE RED MENACE

The bugaboo of dangerous "Red" activities in South America, allegedly centring in Montevideo, was discussed in a cabled statement by Dr. Juan Carlos Blanco, Uruguayan Minister of Foreign Affairs, on July 7. Denying the existence of "centres of Communist agitation of greater importance than those in other countries," he minimized the activities of the Communist party in Uruguay and declared that more Communist publications, money and instructions to agitators were sent to Uruguay than from that country. At the same time it was reported that harvesting in the province of Santa Fé, Argentina, had been paralyzed by Communist agitators and that the Rosario Stock Exchange had appealed to the government for police protection for the harvesters. An unofficial report from Santiago on July 7 declared that incriminating documents linking Colonel Marmaduke Grove to Communist activities in Chile had been discovered. According to this report Colonel Grove was involved in the naval revolt of last September and in the Communist outbreak at Copiapó. Communist meeting places have been raided by police under orders from the Dávila Government, which has displayed great vigor, according to the dispatch, in curbing "Red" activities. It will be recalled in this connection that Manuel Hidalgo, the Communist candidate for the Chilean Presidency in 1931, was defeated by President Montero.

Ireland and the Empire

By J. BARTLET BREBNER
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THE dispute between the British and Irish Governments continued throughout June. The Dublin and London conversations at the beginning of the month, originally concerned with the Ottawa conference, ended in deadlock on the three main issues of the oath, annuities and Irish unity. In demanding a united Irish Republic, President de Valera advocated "some form of association with the British Commonwealth in some circumstances and for some reasons, and the recognition of the King as head of the association." Mr. Lloyd George, with the indiscretion of a member of the Opposition, on June 17 came out openly with the basic British case by declaring that "if [during the World War] the coast of Ireland had been in the hands of an independent sovereign State which might have been friendly or might have been hostile, we might have been done for in the struggle, and we are not going to take that risk in the future." The government confined itself to charges that good faith and proper international procedure had been flouted.

The chief dissension was over the land annuities, £1,500,000 of which fell due on June 30. In addition, Finance Minister Sean McEntee on June 17 advocated retention of annual payments of £2,000,000 connected with the constabulary, pensions and local loans. Although by the end of June Mr. de Valera had committed himself to wholesale repudiation of the financial agreements under the treaty of 1921, which had been negotiated by the Cosgrave Government, he finally

decided to pay the annuities into a separate fund in the Irish Treasury pending arbitration. He demanded, however, that the arbitral board include non-members of the British Commonwealth on the grounds that "the dice would always be loaded against Ireland" in a Commonwealth tribunal. This ran counter to the principle adopted at the last imperial conference for the creation of such a tribunal. Mr. Thomas pointed out to Mr. de Valera that he was pre-supposing that there were not three honest people in the British Empire. There could be no question of forcing Ulster to join the Irish Free State, nor could agreements be made with an Irish Government that broke agreements. On June 22 the British Government agreed to arbitrate the question of the annuities, but refused to go outside the empire for arbitrators.

The Irish Free State defaulted the annuities on June 30 in the face of a British threat to collect the amount by tariffs on imports from Ireland. While the Irish Government thus ignored intra-imperial or even international usages, the economic inequalities between Great Britain and the Irish Free State made the British resort to force seem brutal. The United Kingdom took 92 per cent of Ireland's exports last year, and though the Irish Free State bought more than it sold to Great Britain, the total amounted to only 8 per cent of British exports. Great Britain had hitherto exempted Ireland from the operation of her new tariffs, but Ireland had given Great Britain only a preference under the new high tariffs which Mr. de Valera has raised since coming into power.

British action took the form of a bill empowering the treasury to impose tariffs up to 100 per cent if necessary to recover the unpaid land annuities. This measure was passed by the House of Commons on July 8 by a vote of 222 to 30.

Meanwhile, two striking features of the dispute had borne witness to the unique character of the British Commonwealth and Empire. George Lansbury, leader of the Labor party in the House of Commons, and William Norton, Labor leader in the Dail Eireann, held a long conference in London on July 3. Mr. de Valera is absolutely dependent on seven Labor votes to preserve his working majority in the Dail. Lansbury and Norton decided to rely upon Mr. Thomas to avert the disaster of a tariff war. At the same time Mr. de Valera was acting as host to V. J. Patel, the Indian Nationalist leader, and introducing him to Irish audiences as another fighter for self-determination. Outside Ireland, Mr. de Valera receives his principal support from the United States, British Labor and Indian Nationalists.

The Roman Catholic Eucharistic Congress in Dublin on June 22-26 was a success in spite of inclement weather. The Governor General of the Irish Free State was not invited to the Dublin Castle reception on June 21, and visitors from Great Britain and the dominions found their flags absent from the decorations. Roman Catholic pilgrims were mobbed at several places in Protestant Ulster on June 26. Mgr. Glennon of St. Louis, an American Catholic leader, in an address on June 23 urged the Irish people to abandon hatred now that so much had been won for Ireland.

THE OTTAWA CONFERENCE

Except for some apprehension in Washington lest the British Imperial Conference at Ottawa succeed in creating an economic unit to the detriment of American export trade, notably to Canada, there was little that was new in anticipation of the meeting on July 21. The Irish Free State continued to be confronted with the dilemma created by the necessity of making an economic bargain with Great Britain, which found expression in Stanley Baldwin's declaration on June 28 that no agreement could

be made with the Irish Government at Ottawa because it insisted on repudiating agreements made by its predecessor. The Irish delegation, headed by Sean T. O'Kelly, the Vice President, and including Sean Lemass, Minister of Industry and Commerce, James Ryan, Minister of Agriculture, and a staff of twenty-three, was to sail for Canada on July 8.

A certain amount of preliminary sparring went on along the lines indicated in the July issue of CURRENT HISTORY (pages 423-428 and 486). Australian opposition to the lowering of tariffs became more pronounced, and the Australian delegation was very vague as to its hopes. Mr. Baldwin, who was to head the British delegation, said on June 16: "The general objective of this government at Ottawa is the nearest practical approach to reciprocal free trade within the empire," but he added for the benefit of some unnamed industrialized dominions: "Those dominions will be asked at Ottawa to consider if they have not gone a little too fast in industrial development, both for their own good and for that of the empire as a whole."

THE BRITISH LOAN CONVERSION

At the end of June, Neville Chamberlain, Chancellor of the Exchequer, announced that his Government intended to embark at once on conversion to 3½ per cent of £2,086,000,000 outstanding in 5 per cent war loan bonds. Simultaneously the Bank of England dropped its rate to 2 per cent, its lowest in history, not attained since 1897. The conversion was to be voluntary with a bonus of 1 per cent in cash for notification of intention within a month. Those who declined to convert were to be paid in cash on Dec. 1. The new loan was to be free of income tax. The conversion would mean a saving of £23,000,000 annually in interest charges.

The magnitude of the operation, the reliance on voluntary conversion and the promise to pay off unconverted bonds were somewhat breath-taking, in spite of the preliminary steps taken last year by Mr. Snowden on behalf of the Labor and the interim "National" governments. Yet the process was characteristic of the boldness already shown by the new government, and it had an immediate tonic effect on securities. Sterling, however, promptly fell, and stood at 3.5475 on July 5. Several factors were involved in that decline, among them the withdrawal of foreign speculative deposits, the formal creation by a loan of £150,000,000 from the Treasury of the Exchange Equalization Fund and the obvious disinclination of the Bank of England and the Treasury to support sterling. The interests of the export industries still make a low rate for sterling desirable.

The operations of the Exchange Fund have been kept secret, but it was known that the Bank of England had purchased about £15,000,000 worth of gold, an amount equal to the withdrawals from reserves to liquidate the Anglo-French credits of 1931, and also equal to the expansion of the fiduciary note issue which was authorized when Great Britain went off the gold standard. On July 2 the Bank's gold reserve was £136,950,000, as against £136,880,000 just before Sept. 21, 1931. It was also known that the Bank and the Treasury had acquired large amounts of foreign exchange during the Spring in their efforts to keep the pound below $3.70. The conclusions drawn from these circumstances were (1) that the fiduciary note issue would soon be reduced to its 1931 proportions; (2) that the pound would be allowed to sag in the interests of the exporters and prevented from rising, if necessary, by more purchases of gold or foreign exchange; and (3) that the available gold and exchange would be used for the purchase of unconverted bonds in December.

Mr. Chamberlain had given the House of Commons some hint of good

news when on June 10 he adopted a tone entirely different from that of his speech on May 10. He said that he hoped for further economies in arms expenditures as a result of the Geneva Conference, but that even if these were not forthcoming, neither a supplementary budget nor additional taxation for 1932-1933 would be necessary. He alluded to further reductions in expenditure, which appeared to be chiefly in connection with the social services.

The Import Duties Advisory Committee on June 3 appointed a national committee to plan the reorganization of the iron and steel industries during the temporary 33 1-3 per cent protection which they enjoyed until July 26 and were promised thereafter so long as they continued to take steps to increase their efficiency. These industries are the basis for many export industries which need the lowest possible prices in order to compete abroad. If they fail to take the chance they have been given to see what they can do, the temporary protection will be withdrawn.

The statistics of British foreign trade for May showed no improvement, although it was held that the rate of decline was less than that of Great Britain's chief competitors. Exports of £34,580,000 were £5,062,000 less than May, 1931; imports of £55,730,000 were £13,903,000 less; and the adverse balance of £21,150,000 was £8,841,000 less. The unemployment figures showed an increase, as at May 23, of 89,125, making a total of 2,741,306. For various reasons the Ministry of Labor seemed justified in its claim that there had been no real change in industry. A decrease of 30,700 in the wholly unemployed served as corroboration.

The threatened cotton strike did not materialize, and the miners accepted by a narrow margin the new Coal Mines Bill. It continued the 7½-hour day, contingent upon satisfaction of the British demand for simultaneous ratification of the Geneva 7-hour convention. It did not provide for maintenance of the present scale of wages, but the government pledged itself to secure it for twelve months by guarantees from the owners' associations.

CANADA SEEKS NEW MARKETS

Canadian producers have been busy solving the problems created by successive exclusive American tariffs. For instance, 42 cents a bushel on wheat, 3 cents a pound on beef cattle, $3 a head on sheep, 65 cents a bushel on flax seed, 75 cents on 100 pounds of potatoes and duties on maple syrup, milk and other products had reduced to $590,000 in May, 1932, the agricultural exports to the United States, which amounted to $8,605,000 in May, 1921. The new duties on copper and lumber are the latest examples. Canada has been forced to find markets elsewhere, chiefly in the United Kingdom. During the 1931-1932 grain-shipping season Canada has satisfied 78 per cent of the world demand for wheat. Prices have been low because of the 300,000,000 bushels held over the market by the United States Federal Farm Board, but exports have been abnormal in quantity and the carry over for July 31 is estimated at 104,000,000 bushels —30,000,000 bushels less than last year. The crop prospects are excellent, with estimates approximating 500,000,000 bushels, but the search for markets continues.

The first response to this situation was urgent representation in favor of British quotas for free entry of Canadian wheat and flour. This would mean protection against Russia, the United States and Argentina for at least a part of the Canadian production. Already, however, some of the producers have begun to point out that the available world supply determines the world price and that price is the chief consideration, particularly since the Canadian Government has discontinued its subsidy of 5 cents a bushel on grain shipped.

The Canadian trade returns for May revealed the same long list of declines in exports and imports which could be found for any nation, but they also showed signs of vigorous marketing. Copper exports to Great Britain almost quadrupled, as compared to 1931, and exports of meats, cattle and fruits showed increases which were startling when the fall in prices was remembered. Loopholes in the United States tariff wall and necessitous selling were shown by increases (some of them spectacular) over 1931 in exports to the United States of fruits, sugar, fish, meats, petroleum, fertilizers and other chemicals. The totals were discouraging in the light of past boom days. Exports were $40,594,000 ($59,833,000 in 1931), imports were $44,361,000 ($73,457,000 in 1931), and the adverse balance $3,767,000 ($13,624,000 in 1931).

The Canadian dollar continued to reflect the restrictions on gold exports by being discounted in New York at from 13 to 15 per cent. It has been estimated that Canadian payments to the United States of capital and interest during 1932 amount to about $1,000,000 a day. In the first six months $35,571,000 in gold was exported to help in this obligation. Domestic gold production for the same period was about $30,000,000. Canada is obviously paying a large premium to meet the confident borrowings of more prosperous years.

A great deal of Canadian public ownership represents private distress. The Canadian National Railways are made up chiefly of bankrupt private lines. During June the same process was indicated in the field of hydroelectric power. The great Beauharnois project, which was the subject of a Parliamentary inquiry in 1931, applied to the Dominion Government for $16,000,000 to carry it to completion in 1937. About the same time the Ontario Power Service Corporation, which has been developing the canyon of the Abitibi River, found that it needed $50,000,000, and the Province of Ontario, which already possesses its own great Hydroelectric Power Commission, prepared to step in to prevent unemployment and to assure the promised power to the active mining industry of Northern Ontario.

THE NEWFOUNDLAND ELECTION

By the general election held on June 11 the Liberal Government of Sir Richard Squires, whose difficulties culminated in serious riots in April, was swept out of power. F. C. Alderdice, who had been asked by the Governor to form a government when Sir Richard retired, led the United Newfoundland party and won twenty-one out of twenty-seven seats. Both Sir Richard Squires and his wife were defeated. Only two Liberals were returned.

On July 2 the new Prime Minister announced that the loan of $2,500,000 had been fully subscribed. The Imperial Oil Company of Canada took up $1,750,000 in return for a monopoly, thus adding to the Canadian financial control already initiated by four Canadian banks.

INDIAN AFFAIRS

After the communal warfare in Bombay, which had cost 174 killed and 1,950 injured, quiet was restored by June 8. There were sporadic outbreaks elsewhere, but none was prolonged or nearly so bad as that in Bombay. A renewed outbreak there on July 1 resulted in the death of ten and injury of 200. Various special interests put forward criticisms of the Lothian franchise scheme, and the consultive committee of the Round-Table Conference went ahead coordinating the reports which its subcommittees rendered. It was expected that, on completion of its work, a small Indian committee would accompany it to London to assist in drafting the new legislation. In these circumstances some surprise was expressed that the Indian moderates continued to allow

the congress to lead Indian opinion as a sort of left wing of Indian nationalism.

NATIONALIST VICTORY IN MALTA

Following Lord Strickland's apology to the Pope and the restoration of the Constitution in Malta, an election was held on June 11-13 for a new Parliament. The Nationalists, no longer able to make an issue of Lord Strickland's alleged harm to religion, attacked the accepted recommendation of the recent Royal Commission that English be the only language in addition to Maltese in the elementary schools. They espoused the cause of Italian culture, and the Constitutionalists (the former Strickland party) upheld Maltese nationality and British citizenship. The Nationalists won 21 seats, the Constitutionalists 10 and Labor 1 in the Assembly, with 11, 4 and 2 as corresponding totals in the Senate. The clergy were again very active on behalf of the Nationalists.

Premier Herriot's Burdens

By OTHON G. GUERLAC
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WHEN Edouard Herriot realized that the outcome of the French elections in May forecast his elevation to the Premiership, he anticipated a period of international crisis and crushing domestic problems. His expectations have not been disappointed, as the pressure of foreign and domestic issues during his first weeks in office was unceasing.

During the second half of June the Lausanne conference on reparations forced him to commute between Paris and the little Swiss city where the conference was sitting. In these days of almost continuous international meetings, a Premier must be capable not only of carrying on the ordinary functions of his office, but also of undertaking the delicate and complicated duties of a negotiator. And, as always, the Premier must remember the political situation at home, the probable attitude of the several parties toward diplomatic concessions or demands and the possible effect of the interplay of home politics and international events upon his own fortunes.

If domestic concerns had been negligible, the simultaneous meetings of the Disarmament and Lausanne conferences would have made the burden of Herriot's office heavy, but to the international situation was added the serious problem of the French budget. When the new government assumed office at the beginning of June, it found only $2,800,000 in the Treasury—the remnant of the surplus, which at one time was more than $80,000,000, accumulated between 1927 and 1929. This fund has been exhausted by the repayment of loans and by extending assistance to banks, railroads and shipping. As governmental deficits during the past two years totaled $295,600,000 and in the past nine months have been further increased by $126,920,000, France finds herself in a financial situation that would be serious enough even without the prospective deficit of $260,000,000 for 1932.

Only two solutions for this financial plight are possible, and both are certain to be unpopular with the French electorate. Higher taxes in a coun-

try where the burden of taxation seems to be as heavy as can be borne are out of the question. The mere mention of new taxes has brought protests from the National Confederation of Taxpayers, which claims to have a membership of 5,000,000. Only economies in governmental operation remain.

Germain-Martin, Minister of Finance, and Maurice Palmade, Minister of the Budget, have planned drastic reductions, not only in army appropriations, as suggested in the Cabinet's platform, but also in the salaries and pensions of State officials. The threat to the military budget aroused a storm in the Nationalist press, which accused the Ministry of "weakening security." The second proposal brought forth strong protests from various organizations—the National Union of Tax Collectors, for instance, and the war veterans, as well as the postal, telephone and telegraph workers. The latter group threatened to go on strike if the proposed reductions were carried out. Moreover, it was rumored that the economies planned by the two men responsible for the budget met with such intense opposition in the Cabinet that Germain-Martin and Palmade at one time threatened to resign. The Radical-Socialists, who have probably in their membership a larger number of civil servants than any other party, need in times like these a strong measure of heroism. When it comes to a showdown before the Chamber, the party cannot expect the Socialists to vote unpopular economies, while the Conservatives, who might be in favor of them, are unlikely to help the Cabinet in its hour of need.

Nevertheless, the government on July 1 presented a budget calling for additional income of $56,000,000 and economies of $104,000,000, a total of $160,000,000. The economies are to be brought about by cutting $60,000,000 from the appropriations for national defense and by reducing all salaries—including those of the President of the republic, the Ministers and members of Parliament—by 5 per cent.

While the attention of the nation was focused on Lausanne, the Chamber discussed possible remedies for unemployment. The latest official figures of the unemployed show that only 247,264 persons were registered as out of work.

The Senate was at the same time debating woman suffrage — an issue which arose in the old Parliament over the short-lived electoral bill of M. Mandel. The debate, which was closely followed by French feminists, showed that the French Senate is likely to be the last citadel which the partisans of equal suffrage must conquer. Undoubtedly the principal ground of opposition is the uncertainty which would ensue from extending the franchise, since in France the influence of the clergy upon women is still important.

The organization of the new Chamber of Deputies has revealed a more pronounced division into small groups than in the last one. These groups which reflect minor differences of personalities or of special issues of secondary importance, are now seventeen instead of thirteen or fourteen in the previous Assembly. The list is as follows, with the provisional number of members:

Group	Members
Communists	10
Dissident Communists	9
Unified Socialists (Léon Blum)	131
French and Republican Socialists	27
Radical-Socialists (Herriot)	160
Radical Left	49
Left Independents	25
Independent Left	15
Republican Left	30
Republican Centre (Tardieu)	33
Republican Federation (Marin)	41
Social Republican	18
Popular Democrats	18
Independents	17
Centre Republicans	7
Social Progress and members belonging to no group	24

The five new groups comprise the

Centre Republicans, headed by M. Tardieu; the Republican Social group, organized by Deputy Georges Pernot from among former members of Louis Marin's party; the Independent Left Republicans, created under the leadership of Henry Torrès, prominent lawyer; the Dissident Communists, and the one-man party formed by Comte François de Ramel, who calls himself the Group for Social Progress.

Louis Marin's party, which formerly was the largest Right group in the Chamber, is split and his followers instead of being the Union of Democratic Republicans, in future will be known as the Republican Federation.

The distinctly radical complexion of the new Chamber was brought out by the elections to the various offices as well as by the choice of the chairmen of the important commissions. The election of the Unified Socialist, Fernand Bouisson, to the position of Speaker should not by itself be considered significant since he occupied the same position in the old Chamber. Nevertheless he had never received so large a vote as on this occasion—the unheard total of 504. The chairmen of the commissions of foreign affairs, budget, army and so on, are either Socialists or Radical-Socialists, the parties of the centre have received only minor positions.

The defenders assigned by the head of the Paris bar to represent Gorgouloff, President Doumer's assassin, exhausted all the means at their disposal—pleas of insanity and irregularities of procedure—in an attempt to save their client. As the Court of Cassation on June 30 rejected the appeal against the legality of Gorgouloff's commitment, his trial before the Assize Court of the Seine was scheduled to open on July 29.

BELGIUM IN A TARIFF UNION

The Foreign Ministers of Belgium, Holland and Luxemburg at Lausanne on June 20 signed an agreement setting up a tariff union which has for its object the reciprocal and gradual lowering of economic barriers. The preamble of the agreement stated the belief of the signatories that "the progressive realization of a greater freedom of exchange is one of the essential conditions of world recovery."

The three countries engaged not to create any new duties and to proceed, by an annual reduction of 10 per cent, to the lowering of existing duties to an established level. Moreover, they agreed not to apply among themselves any new restrictions to imports or exports except in specially determined cases. Other States will have an opportunity to adhere to the convention on an equal footing with the signatory States.

This agreement was hailed in Belgium as a reply to the French quota system which has been so detrimental to Belgian interests. Several newspapers regarded it as an end of the most-favored-nation clause which had interfered with the conclusion of a Belgo-Dutch economic treaty. The extension of such a movement to major European countries is considered a matter of serious moment, much more significant than the convention between small nations already committed to free trade.

The announcement of this tariff league followed the sending of a letter from King Albert to Premier Renkin who was then at Lausanne. In this letter the King, after denouncing the results of restrictions, taxes, surtaxes and other forms of customs' barriers, cited the fact that in three years the value of international exchanges had been cut in half and that unemployment figures had been doubled. He said that this was "definite proof that no country is in a condition whereby the play of its own forces can lead the course of economic evolution in its own favor" and suggested that Belgium should take the initiative in promoting economic coopera-

tion. This was obviously intended to prepare public opinion for the agreement that followed.

During a short stay in Brussels, between two trips to Lausanne, Premier Renkin succeeded on June 29 and 30 in clearing up the internal political situation which had become threatening during his absence. He obtained from the Chamber the acceptance of a convention between the State and the national bank concerning the losses incurred by the fall of the pound sterling in September, 1931. He was particularly fortunate in getting from the Chamber a final vote on the linguistic question. The bill was adopted by 80 votes against 12, with 63 abstaining. The Socialists, although in favor of the principle of the new law, did not vote for it because they objected to certain clauses which were the result of bargains between the parties, but which were, in the words of M. Vandervelde, unrelated to the interests of education. With these two parliamentary victories the Renkin Ministry seemed secure.

Germany Under Von Papen

By SIDNEY B. FAY
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CHANCELLOR VON PAPEN, who came into office after the resignation of Chancellor Bruening on May 30, has confounded those who prophesied that his "Junker Cabinet" would at once proceed to dire reactionary measures—perhaps even disregarding the Republican Constitution and paving the way for a return of the Hohenzollerns. On the contrary, although most of his colleagues in the new Cabinet belong to the old Prussian aristocracy, he has proceeded in the main with moderation, wisdom and considerable success in both domestic and foreign politics.

Not only has von Papen taken over most of the unpopular measures of his predecessor and echoed his views on foreign politics, but he has shown his purpose to be practically the same as that of the Bruening Government—the control of the unripe forces of National Socialism. His tactics, however, are slightly different. Instead of antagonizing the Nazis by forbidding their storm troops to wear the brown uniform—the measure which caused General Groener's retirement from the Bruening Cabinet last April—von Papen has sought to conciliate them. He has granted them the wearing of their uniforms and has allowed them greater freedom of the press and use of the government-controlled radio for their propaganda. To be sure, the new Cabinet has closer points of contact with the Nazis than had the Bruening Socialist-Catholic coalition. Von Papen shares with the Nazis two sentiments—a rather narrow nationalism and a hatred of Marxism. This Marxism, as the Germans use the term, has little or nothing to do with socialism or Karl Marx. It is an elastic term used to denote all things and people in Republican Germany which Nationalists and many Nazis do not like, including the occupation of administrative posts by Social Democrats, many of them Jews, unemployment relief instead of conscription, and Jewish and foreign influences in the press, in literature and on the stage.

In spite of these points of contact

and the conciliatory attitude of the new Cabinet toward the Nazis, von Papen's aim is undoubtedly to prevent Germany from falling into their hands. His group of relatively cultured landowners and soldiers, with their old Prussian sense of duty and discipline and experience in high administrative posts, differ widely from the heterogeneous Hitlerite mass inflamed by contradictory promises and unbounded agitation. Apparently President von Hindenburg and his new Chancellor believe it would endanger both themselves and the nation to permit power to fall into the hands of the Nazi movement while in its present raw, ignorant and turbulent stage and while lacking politically experienced leadership. That is why the von Papen group were determined to obtain power themselves, and retain it, if that can be contrived. Hence their moderate and conciliatory tactics.

The most important question of domestic politics with which the von Papen Cabinet has had to deal has been whether the Nazis should be allowed to wear their famous brown shirts with the swastika on the sleeve. These were forbidden by General Groener last April, and the prohibition contributed to Bruening's downfall at the end of May. On June 16, however, a decree of the von Papen Cabinet removed the ban. Hitler's followers were again permitted to parade in their brown shirts throughout the Republic, subject only to supervision by the Minister of the Interior of the Reich. In signing the decree President von Hindenburg said that he was prompted by the assumption "that far-reaching mitigations would result in German political contests being conducted more calmly and without deeds of violence. If this expectation is not fulfilled, I am resolved to proceed against excesses with my full constitutional powers."

The Nazis hailed the decree with delight. "Adolf Hitler's 400,000 fighting men can march in the open again," declared their newspaper, the *Voelkische Beobachter* of Munich. But the Social Democratic *Vorwaerts* of Berlin denounced the lifting of the ban as "a madhouse act." The Communists were enraged, for, being avowedly revolutionary, they were excluded from the benefits of the new decree, and are still forbidden to wear their party uniforms and to assemble in their "Godless" societies. Hence the decree had the effect of increasing the bitterness between Nazis and Communists, with the unfortunate result that in the constantly recurring street fights between the two extremist parties more than a score of persons were killed within a month.

In the South German States—Bavaria, Baden and Wuerttemberg—where the hatred of the Nazis is even stronger than in Prussia, President von Hindenburg's decree did not go unchallenged. Bavaria decided to maintain the ban on the brown shirts in defiance of the Federal decree, declaring that to permit the Nazis to march in uniform endangered peace and good order. When Hitler's followers sought to march in thousands to the Brown House in Munich, they were dispersed by the Bavarian police, who arrested 470 and confiscated their brown shirts. On June 17, when the Nazi Deputies trooped to their seats in the Bavarian Diet wearing their uniforms, President Georg Stang pointed out that such an act infringed the standing orders of the Legislature adopted in 1930. When the Speaker tried to read the Hitlerites individually out of the Chamber, Hermann Esser, the editor of the *Voelkische Beobachter*, mounted the rostrum and called for "Three cheers for Adolf Hitler." They were given with gusto by the Brown Shirts, who likewise responded with alacrity when their parliamentary leader demanded a triple "Down with Held," the Bavarian Premier. The Nazis then began their party anthem as President Stang forthwith expelled for a week the entire Nazi group for refusing to obey

his injunction to leave. As the Hitlerite Deputies still refused to go, Herr Stang summoned the green-uniformed Bavarian police, who lead the recalcitrant partisans out of the hall. The Nazis were then forbidden to attend the Diet for the following twenty sessions.

In Baden and Wuerttemberg the State governments followed the example of Bavaria in refusing to accept the lifting of the ban on the brown shirts. They asserted that parades by Nazis in uniform provoke disorders and even riots, that the question of the brown shirts is therefore one to be dealt with by the local police, according to local conditions, rather than by a Federal decree such as that issued by President von Hindenburg. This has raised an important constitutional question for von Papen to deal with. On the one hand, the Hitlerites clamored for the general enforcement throughout Germany of the rights given to them by the decree; they even demanded the proclamation of martial law as a means of enforcing it. On the other hand, in the South German States, where there is a tradition of individual liberty rather than of the Prussian militarism, the Catholics, Socialists and Communists insist on the right of the individual States to maintain such police measures as are required by public safety; they assert their traditional "States' rights" doctrine, to use an American term, or *Particularismus,* as the Germans themselves were accustomed to call it.

Faced with this constitutional question the von Papen Cabinet advised President von Hindenburg to issue a new decree on June 29. It is in the nature of a compromise, and fails to decide the conflict in a clear-cut fashion. Under it the Federal law supersedes the laws of the States; hence members of the militant factions may wear the political uniforms even in the States which have raised objections to them. At the same time the State Governments are held responsible for maintaining order, and therefore they may use their discretion to ban individual political demonstrations or parades.

When the Berlin Social Democratic *Vorwaerts* published a cartoon implying that the von Papen Government was paying for new Nazi uniforms out of savings obtained through a reduction of the unemployment relief funds, the Chancellor considered this a slander upon his Cabinet and demanded that the Prussian Minister of the Interior suspend the newspaper for five days. Karl Severing, the Prussian Minister, objected and appealed to the Federal Supreme Court for a decision. The Supreme Court rendered a verdict on July 1 upholding the Federal Government and imposing the five-day suspension on the best-known Socialist paper in Germany. A similar demand by the Federal Government related to the chief Roman Catholic organ in the Rhine Valley, the Cologne *Volkszeitung,* which demanded that von Papen be recalled from Lausanne for admitting in an interview with a French newspaper representative that France was entitled to certain compensations in lieu of reparations. In this case the Supreme Court imposed a three-day suspension.

In foreign politics, also, the new Chancellor has shown himself more conciliatory than was expected. At the Lausanne conference on reparations, while reasserting Germany's incapacity to pay annuities under the Young Plan at the expiration of the Hoover moratorium on July 1, he willingly admitted Germany's obligation to pay something to France in lieu of a final settlement abolishing reparations. (See James T. Gerould's article, page 573 of this issue.)

FURTHER HITLERITE GAINS

In the elections to the State Diet of Hesse on June 19 the National Socialists again showed an increased following. They polled 322,268 votes as compared with 314,039 on the second ballot in the Presidential election on

April 10, and 291,183 in the last election to the Diet, in November, 1931. The Nazis' gains, however, did not give them a majority, as they obtained only 32 of the 70 seats, as against 27 in the last Diet, which was dissolved while deadlocked when the November elections were annulled by the courts. The Diet will again be deadlocked, as there will be neither a Right nor a Left majority. The Socialists gained two seats, raising their total to 17, and the Communists lost three, dropping to seven. The Centrists continued to hold their ten seats.

NO LOAN FOR AUSTRIA

In spite of long haggling between Austria and the Committee of Thirteen of the League of Nations over a new loan, no decision was reached. After a fortnight's strained negotiations Sir Robert Kindersley of the Bank of England and Joseph R. Swan of the Guaranty Trust Company, representing British and American banks, which lent $70,000,000 in short-term credits to the bankrupt Creditanstalt, left Vienna on June 13 without having reached a compromise with the Austrian Government. The government had made various proposals, including the taking over by the foreign creditors, in lieu of $25,000,000 of their claims, of the assets of the Creditanstalt in the form of oil and sugar refineries and other industries. These were refused by the creditors.

Meanwhile, Austria's trade balance continued unfavorable, and it became clear that without a loan she would not have a sufficient trade balance to pay the interest on the League of Nations loan made to her in 1923. She had hoped to find her way out of the difficulty by a new loan from the powers represented in the League. But when no decision was reached on this at Geneva, Austria virtually put into effect a transfer moratorium on the service of the 1923 loan. Thereupon the League trustees for the loan refused to hand over to the Austrian Government the remainder of the gross customs and tobacco monopoly revenues, although the total income from these pledged sources is $6,000,000 monthly and the service on the League loan is only $1,500,000. This 1923 loan is the only League loan which the great powers will have to make good if Austria defaults.

SWISS WIN WORLD COURT VERDICT

The thirteen-year-old dispute between France and Switzerland over the free zone of Upper Savoy and the district of Gex near Geneva was ended on June 7, when the Permanent Court of International Justice delivered a 6-to-5 verdict in favor of Switzerland. The court decided that the free zones, which had been created in 1815 and 1816, and were abolished in 1923 by France, should be maintained. Accordingly, France will have to withdraw its customs lines by Jan. 1, 1934, in conformity with the provisions of 116 years ago. Mr. Frank B. Kellogg was among the majority favoring Switzerland, as were also the court president, Dinosio Anzilotti of Italy, and Judges Loder, Ode, Huber and Beichmann. Much satisfaction was felt at Geneva in the verdict, not merely because it was in favor of the weaker litigant, but also because it was far more clean-cut than even the court's friends had dared to hope.

Spanish Unity at Stake

By WILLIAM E. LINGELBACH
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DISCUSSION of Catalan autonomy along the lines recently outlined by Prime Minister Azana continued during June to occupy the attention of the Spanish Cortes and the nation. On June 10 the Cortes by a vote of 172 to 12, a majority of the deputies absenting themselves, voted the first article of the Catalan statute: "Catalonia is created an autonomous region within the Spanish State. Its representative organism is the Generalidad. Its territory comprises the provinces of Barcelona, Lerida, Gerona and Tarragona. This becomes effective at the moment the statute is complete."

Two weeks later, on June 23, by a vote of 191 to 112 the second article was voted, establishing the equality of the Catalan tongue in Catalonia with Castilian, which, according to Article 4 of the Constitution, is the official language of Spain. Much opposition developed to this article, and white-haired Miguel Unamuno sarcastically remarked that "it was like giving the Bretons equal rights with the French." But the government held to its policy of Catalan autonomy with the guarantee of Spanish unity. Azana in a speech before the Republican Action Society of Madrid declared that he would not modify his stand even if it meant his leaving the government. The Catalans are already inaugurating a vigorous drive for the use of their own language instead of Castilian.

Obviously the concessions of the Cortes to the separatist demands of the Catalans are due in no small degree to the government's reluctance to let matters come to a crisis until the republic has been more securely established. Signs of a temporary reaction to the Right are clearly manifesting themselves and the parties in control are extremely anxious to avoid an election at this time. On the other hand, the concessions to the Catalans are arousing the aspirations of other regional groups.

During June the commission chosen by the Basques to draft their statute for regional autonomy, after prolonged sessions at Vittoria, completed its work. The statute provides for an autonomous State to be called Euskelerria, the equality of the Basque language with Castilian, an elected parliament and a permanent council. Like that of Catalonia, the Basque statute calls for considerably more independence than the Madrid Nationalists are disposed to grant.

Minor disorders occurred in June at Madrid, Barcelona and Bilbao, and several policemen and rioters were killed or wounded. Judging by the arrests, monarchists have been again actively plotting. On June 16 General Luis Orgaz, whose brilliant record as a soldier kept him on the government payroll, though he was relieved from active service because of his known monarchist sympathies, was arrested at Teneriffe in the Canary Islands. Others under arrest are General Emilio Barrera and Don Baron Mora. They were accused of complicity in a plot to restore Alfonso, which the press claims has dangerous ramifications throughout the Basque and Navarre regions.

For some time the question as to what the republic would do with the property of the ex-King has been under consideration. When the Ger-

man republic was established after the war the Constitution makers at Weimar in their anxiety to avoid all ultra-radical tendencies guaranteed the rights of private property so thoroughly that the Kaiser's great wealth was protected by the laws of the Reich. The Spanish republicans look at the matter differently. On June 19 the Director of the Treasury declared the private fortune of Alfonso confiscated. Valued at about $3,000,000, it consists chiefly of cash, securities, jewels and works of art; the landed estates and palaces were taken over by the State when the republic was established. While the republic is seizing the property of the exiled King it is being asked to pay reparations to the church for the damage done during the disorders of the revolution. The claims against the government filed by Mgr. Tedeschini, the Papal Nuncio, demand payment for fifty churches and monasteries burned in the riots of May 11, 1931.

Juan March, Spain's "bad boy," reputed to be the richest man in Spain, was on June 15 arrested and charged with swindling and being "a danger to the republic." A week before, the Cortes had ousted him as a Deputy because of bribery and "moral incompatibility." According to the evidence, under the monarchy he had been so successful in smuggling contraband tobacco that the King, in order to secure at least a partial return to the State, granted him a monopoly. Even then March, who until the age of 21 was unable to write his own name, continued his contraband operations, cheating his own company. During the discussion of March's affairs Indalecio Prieto, former Minister of Finance and now Minister of Public Works, was accused of granting an illegal concession of the Moroccan tobacco monopoly to a Spanish company which is reported to be a subsidiary of a French concern. The Opposition also declared that the contract involved a loss to the government of over 200,000 pesetas (at present exchange rates, about $16,200). The charges caused a great stir, but after the matter had been thoroughly aired, the Cortes, in a stormy session, passed a vote of confidence in the government.

Further evidence of the government's direction of commerce appeared in an announcement on June 19 by Ramon Viguri, governor of the Exterior Bank of Spain, in which he said that he had been officially designated to establish contacts for trade organization with a view to a direct exchange of merchandise and products on an enormous scale. His first efforts are being directed toward a working arrangement with the Argentine Republic for the exchange of Spanish cotton goods, rail supplies and ships for Argentine wheat.

ITALY'S DEMAND FOR COLONIES

Italy's demand for colonies, voiced by the Grand Council of the Fascist party, took more definite form during June. In two public speeches, notably one before the Senate on June 10, Foreign Minister Grandi made it fairly clear that Italy was ready to bargain for a mandate in Africa. After denouncing the dilatory inconclusiveness of the General Disarmament Conference and the futility of the French proposal for an armed force under the League of Nations, he set forth Italy's claims to colonial opportunity, laying special emphasis on the need of room for her surplus population—an important factor, he declared, in the problem of world peace. The particular regions envisaged were not definitely mentioned, but it is easy to see that former German Togoland, or more especially Kamerun, because of its location with respect to Lake Tchad, is in his mind. What is equally clear is that an accord with France is looked upon as the logical, in fact, the only, means to this end.

In the meantime, Italy promptly accepted President Hoover's proposals for a cut in armaments as a pre-

liminary step toward the reduction of reparations and war debts. Later, however, Grandi entered a definite protest against the drastic slash in reparations proposed in the negotiations between the powers unless it was associated with a corresponding scaling down of war debts. On June 17 the London *Daily Express* published a violent denunciation of the American Government by the Duce. Although Mussolini refused to accept full responsibility for the interview, the strictures reflect, nevertheless, the dissatisfaction in certain European quarters with what is regarded as America's lack of international cooperation.

Angelo Sbardelotto, the would-be assassin of Mussolini, went on trial on June 4, less than two weeks after his arrest. Defense counsel argued that, since he had not attempted to commit the crime, he could not be sentenced under the law. But the court thought differently and, after deliberating for ten minutes, returned a verdict of guilty and ordered the death sentence. Twelve hours earlier the Special Military Tribunal under the Defense of the State act had condemned Domenico Bovone, the terrorist, whose sensational bombings led to his arrest last September. Both were sentenced to be shot in the back. Six of Bovone's accomplices were given varying terms of imprisonment.

Statistics for the first five months showed improvement in the Italian trade balance over the same period of 1931. On the other hand, the total trade fell off materially. Imports during the period amounted to about $186,850,000, as against $261,700,000 and $303,850,000 in 1930 and 1931 respectively, while exports fell to $138,150,000 as compared with $201,000,000 and $206,600,000. The excess of imports over exports has therefore been reduced to $49,700,000 from $60,700,000 in 1931 and $97,250,000 in 1930. The decline in the total trade figures is in part the result of falling prices; the better trade balance is due to restrictions on imports from abroad and to the propaganda in favor of home-made goods.

The government is doing everything in its power to improve the economic situation. In a vigorous attack on speculative and risky trade ventures promising high returns, Finance Minister Antonio Mosconi early in the month summoned the banks and other credit institutions to a conference for the promotion of safer investments. In response, the Bank of Italy reduced its discount rate from 6 to 5½ per cent.

Despite easier money, however, security prices continued to decline, which was also reflected in a falling off in production. In an effort to stabilize the price of wheat in the domestic market, a large appropriation was voted on June 30 by the government's grain committee. The unemployment situation has improved somewhat because of the return of seasonal activity in certain lines, especially in agriculture.

The national deficit for the financial year closing on June 30 appears to be about $75,000,000, exclusive of $50,000,000 ninety-year treasury bonds recently issued. This is not as serious as it appears, because of the large increase of nearly $50,000,000 in cash held by the government.

Strange as it may seem, the depression of the last few years has not brought with it the usual increase in emigration. In fact, the number of emigrants has fallen off decidedly in recent years. The reason is doubtless to be found in the restrictive measures of foreign countries and in the systematic efforts of the Fascist Government to provide work and opportunity. Vast projects for public works and the reclamation of waste lands are a conspicuous part of the program. Work on the Pontine Marshes, draining them, removing the causes of malaria and making the vast area fit for agriculture, is nearing completion. By Autumn, peasant families from all

parts of Italy will move into the region, which is being scientifically developed to accommodate more than 100,000 people.

Relations with the Vatican continue cordial. On June 15 Prince Boncompagini Ludovisi, the Governor of Rome, renewed the old custom, interrupted in 1870, of paying an official visit to the Pope. It is one of many official acts following upon the reconciliation between the Papacy and the Italian Government.

PORTUGUESE CABINET RESIGNS

On June 25, while the new Portuguese Constitution was under discussion preparatory to a referendum vote by the people, the Oliviera Ministry, which had directed the government since 1930, resigned. The reasons for its resignation were not made public, but no disturbance was associated with the withdrawal of the Ministry, since the military dictatorship of President Carmona had entire command of the situation. Although suffering less from the general depression than more highly industrialized countries, Portugal is resentful of the recent French increase of 15 per cent in duties on Portuguese imports. On June 18 customs officials were ordered to hold back French imports, the action being interpreted as the beginning of retaliatory measures and a possible Franco-Portuguese tariff war.

From London came the news, on July 2, of the death of Portugal's ex-King, Manoel. He succeeded to the throne upon the assassination of his father and brother in February, 1908, as Dom Manoel II. Two years later a revolution took place and the young King left Portugal, never to return. Since then he had lived in England.

Hungary in a New Cabinet Crisis

By FREDERIC A. OGG
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HUNGARY in the middle of June averted the threatened resignation of Premier Karolyi and his Cabinet by obtaining an agreement from the banks not to press for the payment of agrarian debts until Autumn. As a result the farmers' section of the coalition government continued to support the Ministry. Nevertheless, the Premier continued to talk of resignation and, on June 30, did resign, ostensibly because, in obtaining the adoption of the budget and other measures for the country's financial rehabilitation, the Ministry had accomplished the task for which it was appointed. Admiral Horthy, the Regent, refused to accept the resignation, and it was not believed that any actual change would take place. Speculation was rife as to whether ex-Premier Bethlen, who, after a period of eclipse, resumed political activity a few weeks previously, would not be found presently at his old post. But the idea was pretty well dispelled by the warmth with which the Regent lauded the services of M. Karolyi and his colleagues.

On June 18 Deputy Zoltan Mesko—adorned with a Hitlerite mustache and a brown shirt—announced in the Chamber of Deputies the formation of a Hungarian National Socialist party, with an ultra-nationalist program similar to that of the German Nazis. Among the planks in its platform is the confiscation, for national

purposes, of all property acquired in war-time.

The Hungarian National Bank has received and paid into a special "closed account" 50,000,000 pengos—nominally $8,750,000—owed by State, provincial and municipal bodies and private individuals to creditors abroad, but under the country's moratorium is prohibited from transferring the money. The eventual decision as to what is to be done with it will be significant not only to Hungary but to other Central European countries—Austria, Bulgaria, Greece, perhaps even Germany—that are likely to impose transfer moratoria soon, and likewise to their creditors, including Americans, who have some $200,000,000 at stake, exclusive of German indebtedness.

ELECTIONS IN RUMANIA

As the result of a decree on June 12 dissolving the Rumanian Parliament, a new Chamber of Deputies was to be elected on July 17, with elections for the Senate three days later. The campaign of the National Peasant party was formally opened on June 26 at a mass meeting in Bucharest reminiscent of the gathering of peasants at Alba Julia, preceding the party victory of four years ago which swept Julius Maniu into the Premiership. The demonstration on June 26 was actually inspired by Maniu, who, after a long period of retirement, had made his peace with King Carol and was now expected to succeed M. Voida-Voivode as Premier if the National Peasant party were victorious at the election. The Peasant program, published the same day, favors Danubian economic cooperation, adoption of a policy of import quotas and abolition of protection for all industries not using Rumanian raw materials.

The Bucharest Government, which has been struggling with financial problems—including that of paying overdue salaries and pensions—was informed on June 17 that France was ready to grant Rumania a loan if it is issued under the auspices of the League of Nations. Nicolas Titulescu, Ambassador to London, was entrusted with the task of making the necessary arrangements.

Charles A. Davila, who resigned as Rumanian Minister to the United States in November, 1931, in order to re-enter politics, has accepted reappointment as Minister. His resignation did not become effective until March 1, and actually he was still in charge of the legation in Washington when reappointed in June.

POLAND'S NON-AGGRESSION PACT

Guided by Marshal Pilsudski, the Polish Government has for some months been insistent upon the simultaneous signature of non-aggression pacts with Soviet Russia by Poland and Rumania. But the latter has held back, partly because of unsettled political conditions and partly because of unwillingness to sign unless Russia recognized Bessarabia as part of Rumania. After weeks of tension between Warsaw and Bucharest over the matter, the former decided to proceed alone, and, on June 20, it was reported that a pact would be signed in the near future. Later, however, it appeared that before the Warsaw authorities proceeded with their purpose, a fresh attempt would be made to bring Rumania and Russia into agreement on the Bessarabian question.

On June 15, in the midst of ceremonies at Danzig to welcome five British destroyers, the Polish destroyer Wicher steamed into the harbor unannounced, docked near the Polish ammunition depot and remained for five hours. Taking advantage of a recent League of Nations decision that Polish warships intending to visit the free city must observe international rules, the Danzig authorities protested to the League commissioner, to whose inquiries the Warsaw Govern-

ment replied that the Wicher entered the harbor only as a courtesy escort to the British craft, and that Poland has never accepted the validity of the League's ruling on the subject. Later in the month the Warsaw Government maintained that a projected visit of the German Navy to Danzig was ill-timed, but efforts to procure a postponement were unsuccessful.

In an effort to aid business and labor, as well as to insure the payment of taxes, the Polish Government issued a decree on June 12 to the general effect that the salaries of executives in industry, commerce, banking and insurance should be in proportion to the paying capacity of the enterprises as well as the earning power of the employes and the state of the employment market. Where salaries exceed $350 a month, reductions may be demanded by members of the board of directors of a company, or by the officials of the income-tax department in case taxes are in arrears, or by the Ministry of Labor if there are arrears in the payrolls. Refusal to comply with such demands may be made a basis for action in the courts.

GREEK FINANCES

A few hours before the Hoover moratorium on intergovernmental debts expired on June 30 the United States Treasury was notified that Greece would not make payment of $130,000 due on July 1 on account of the principal of her debt of $30,292,000 to the United States but would postpone it for two and a half years under the moratorium provision of her debt-funding agreement of May 10, 1929. Interest payments are not postponable under the terms of this agreement, and should they fail the country would be in default. No payment of such a nature is due the United States before next January, but the Athens Government has already defaulted interest payments on League of Nations bonds. Secretary Mills expressed the opinion that the Greek postponement of principal is not significant with respect to the general debt situation.

Negotiations were concluded on June 10 for the future control of the Greek State railways by a French financial group, and it was announced that a representative of the Paris, Lyons and Mediterranean Railway would soon go to Athens to organize the new administration. The arrangement was construed in European diplomatic and financial circles as bearing out the suspicion that France is endeavoring to obtain control of the railways of the Central European and Balkan countries.

The Athens Government is reported to be bent upon a revival of the Military League for the Support of the Republican Régime—an organization which pledges itself to prevent the formation of a royalist government even in the unlikely event of a royalist majority after the Autumn elections. Meanwhile, the banishment of General Pangalos and twelve of his adherents has been canceled on the ground that it is no longer necessary.

YUGOSLAV DISAFFECTION

Croat disaffection in Yugoslavia was stirred afresh and the Cabinet placed on the defensive by a murderous attack in Belgrade on June 6 upon Dr. Mile Budak, a prominent lawyer of Zagreb and a fervent Croat nationalist. It was charged that Dr. Budak's assailants, who were arrested, were members of the government's secret police in Zagreb. The attempted assassination of two Bosnian Mohammedans in Zagreb a week later was believed in Croatian Nationalist circles to be the work of Young Yugoslavia, the Serbian Nationalist terrorist organization, which is held responsible for the death, not long ago, of Professor Milan de Sufflay, the Croatian leader.

BULGARIAN LOANS

Speyer & Co., New York bankers, announced on June 16 that the trustees of the Bulgarian settlement loan

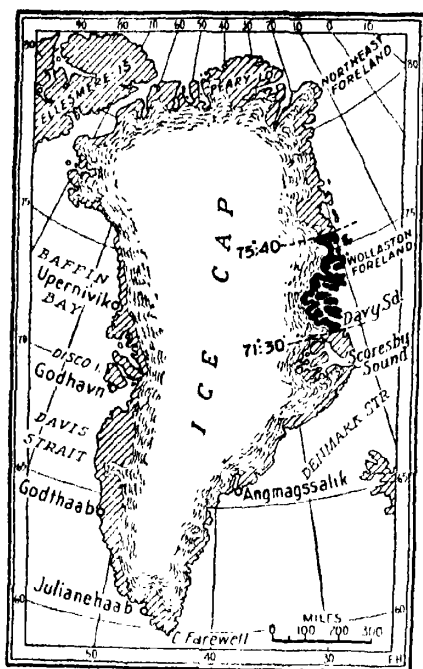
of 1926 and the stabilization loan of 1928 had given notice that for the period from April to September of the current year the Bulgarian Government intended to remit only one-half of the amount required for the payment of interest and sinking fund on the two loans. Subject to the consent of the commissioner of the League of Nations, the remaining half was to be paid in leva to the National Bank of Bulgaria and temporarily used for the liquidation of budget arrears. It was further announced that the Sofia authorities had requested the trustees to notify the holders of the loans to form a committee to negotiate in regard to future service of the loans.

The Dispute Over Greenland

By RALPH THOMPSON

THE question of the sovereignty of Greenland has been argued by Denmark and Norway for a long time, but just about a year ago, on July 10, 1931, the issue was transferred from the realm of polite and theoretic disagreement when Norway, after an extended debate with her sister nation, felt forced to declare East Greenland between 71° 30′ and 75° 40′ a Norwegian possession. Denmark immediately protested this positive action, calling it "an unjustifiable intrusion and a breach of the existing legal position as expressed in valid treaties." The matter thereupon was placed by common consent before the World Court, and that tribunal is about ready to hear the case.

It has been unofficially stated by both Danes and Norwegians that the sovereignty of all Greenland is not worth disputing, and, national prestige to one side, there is something to be said for that point of view. The great island, which covers 825,000 square miles, is itself covered for the most part by an ice-cap about 1,000 feet thick, and of the 15,000 inhabitants only a few hundred are Europeans. Hunting and fishing are carried on, however, and there are certain mineral deposits, notably of cryolite. But probably these evidences of the limited though none the less actual physical value of the territory have not alone prompted the dispute; since there is a good measure of nationalism involved, it is fortunate that a body such as the World Court has been empowered to act on a matter which conceivably might engender bitter enmity between the two countries concerned.

There is no real dispute over West Greenland. A few patriotic Norwegians insist that it should be Norwegian territory, but their point of view must be outlawed by a statute of limitations, for Denmark has exercised actual sovereignty over West Greenland for more than 150 years, at first as a major party in the Dano-Norwegian State, and later, after 1814 and the dissolution of the union between Denmark and Norway, on its own accord. Whether it was through Danish or Norwegian effort that Hans Egede settled Godthaab in 1721 is beside the point; the fact is that the West Greenland trade has been a monopoly of the Danish Government since 1776 and that the affairs of the colony are regulated by the Danish Government, which is said to subsidize the territory to the ex-

GREENLAND
Black Area Claimed by Norway

tent of about $150,000 annually. Whatever differences of opinion on West Greenland still exist are apparently due to the fact that when the central government of the two nations was dissolved by the Treaty of Kiel, no definite disposal was made of Greenland and certain other insular territories.

East Greenland, however, is a quite different matter, even though it is but the eastern portion of a generally acknowledged Danish possession. The reason for this is to be found in the difficulty of communication between the two sea-coasts, which are separated by an icy wilderness averaging 450 miles across. Within historic times there was no settlement in East Greenland until 1894, when Danes established Angmagssalik. More recently Eskimos have been transported to the Scoresby Sound region and settled there by Danes. Otherwise there have been no permanent colonies, and trappers, hunters and explorers from many nations have roamed the territory as they pleased.

In 1916, in connection with the sale of the Danish West Indies to the United States, Denmark attempted to have international recognition accorded to her claim over East Greenland. The American Government replied that it would not object "to the Danish Government extending their political and economic interests to the whole of Greenland," and certain other nations made answers of the same import. Norway, however, objected, and has continued to object. Her position was that East Greenland was subject to no national sovereignty—that it was No Man's Land—and that sovereignty could be acquired only by occupation. Norway felt that Denmark could be granted the territory only if all other interested nations were willing to make her a gift of it—and that Norway had no intention of doing. Since Danes had settled Angmagssalik, Norway conceded that locality to Denmark, and when the Scoresby Sound region was populated, she conceded that also. The remainder of East Greenland was held to belong to no nation.

Early in 1921 Denmark made a further effort toward acquiring East Greenland, but met with the same resistance from Norway. On May 10 of that year, however, the entire island was declared to be a Danish territory, and on June 16 all coasts and islands were ordered closed to non-Danish vessels. Apparently these positive actions were taken by Denmark after Foreign Minister Ihlen of Norway had made a verbal statement to the effect that his country would no longer oppose them. But Norway refused to consider herself bound by a verbal statement, and individual Norwegians continued to operate in East Greenland as they had for nearly a century, despite Denmark's enunciation of her so-called rights. In 1922 the Norwe-

gian Meteorological Institute established a temporary weather-warning station at Myggbuta, which is about midway between Davy Sound and Wollaston Foreland. Denmark protested this establishment and other similar "encroachments."

In 1924 some degree of understanding was achieved with an agreement concluded on July 9 between representatives of both countries. Free access in East Greenland for the purpose of hunting, trapping and fishing was granted for twenty years, except in the Angmagssalik district and about Scoresby Sound in the event that Eskimos were settled there, as was then contemplated by Denmark. The agreement did not establish sovereignty, each nation remaining firmly by its original attitude—the Danes that the territory was Danish, the Norwegians that it was No Man's Land.

The status of East Greenland remained thus actually undetermined early in 1931, although the region between Davy Sound and Wollaston Foreland had for some time been assuming a Norwegian complexion. According to Professor John Skeie of the University of Oslo in his book, *Greenland: The Dispute Between Norway and Denmark,* (New York, 1932), Norwegian trappers' huts along this stretch of some 300 miles number 80 to about half a dozen Danish buildings. Therefore Norway protested when on March 14, 1931, the Danish Government announced that it had given police authority to a Danish scientific expedition headed by Lauge Koch which planned to work between Davy Sound and Wollaston Foreland. On June 30 Norway proposed that neither country exercise sovereignty or grant police power in East Greenland until the expiration in 1944 of the 1924 agreement. Denmark being unwilling to accede to this proposal, Norway issued its decree of July 10, and formally annexed the territory between 71° 30′ and 75° 40′.

RUSSO-FINNISH PACT SIGNED

President Svinhufud of Finland signed a non-aggression treaty with Soviet Russia on July 7, and Finland thereby became the first Baltic State to conclude a definite pact of amity with the Soviet Union. When the Finnish Parliament sanctioned the treaty in April it was felt that formal signing would be postponed until Russia had succeeded in negotiating similar agreements with her other European neighbors, but that this has not been the case is probably due to the fact that Finland is anxious to improve her commercial relations with Russia. Finish farmers recently began regular deliveries of butter, milk and eggs to Leningrad, and the Soviet Government in turn placed several orders for steamers and machinery with Finnish companies.

LIQUOR CONTROL IN FINLAND

It appears that the Finnish liquor law which went into effect early in April has displeased others in addition to the ardent prohibitionists who recognized it as a repudiation of their efforts to save the country from the curse of drink. The control now set up is alleged to be too strict; dispensaries are closed every Saturday, Sunday and Monday, as well as on days preceding and following all holidays. In other words, sales may not be made on 183 days of the year. It is also said that the beers and wines are too expensive, and that as a result there is an unfortunate tendency to strong liquors — ordinary French wine costs between $1.50 and $2 a bottle, while good Scotch whisky can be bought for $2. That beer is not being bought in large quantities is borne out by the fact that it brought in only about five per cent of the State monopoly's income during April.

Soviet Economic Disappointments

By EDGAR S. FURNISS
Dean of the Graduate School, Yale University; Current History Associate

As the final year of the Soviet Five-Year Program nears the half-way point, the press of the Soviet Union has begun to take a somewhat pessimistic view of the prospects of success. Conditions in the heavy industries, whose progress since the beginning of the year has been very uneven, appear to have changed for the worse since the end of the first quarter.

The automotive industry is a case in point. This industry, because of its pivotal position in the program for the mechanization of agriculture, has come to serve as the barometer of economic progress in the Soviet Union. Despite the complete breakdown of one of its largest units early in the year, production statistics for the first quarter showed a rate of development in the industry as a whole which was not far short of schedule. But a very different picture was presented by the Soviet press in June. The Stalingrad tractor plant, after falling 50 per cent behind its schedule, was closed on June 15 for general reorganization. The automobile factory at Nizhni-Novgorod, scheduled to begin mass production on April 15, has not yet begun operations on a large scale, and its small output was declared by *Pravda* to be 80 per cent defective. Production at the Amo plant in Moscow, which had risen to seventy trucks daily, slumped in June to half that number. The tractor output of the Kharkov plant has fallen 70 per cent from its former level.

If one can take at their face value the explanations appearing in the official press, these unsatisfactory conditions are symptomatic of a decline in efficiency which has affected the heavy metal trades in general. The Soviet authorities attribute the difficulties of the automotive factories in the main to a decline in output of the basic iron and steel industries of the country. Thus President Ordjonikidze of the Supreme Economic Council, in a statement published on June 21, severely censures the steel plants for their "extremely unsatisfactory accomplishment" and threatens severe discipline for their managers unless there is immediate improvement. Apparently these branches of Soviet enterprise have also fallen into difficulties since the first quarter of the year, when the official summaries of production described them as "in the lead."

Other and even more fundamental weaknesses appear in the industrial record as published in the government press. Statistics of increased output are not in themselves an indication of sound economic progress. If costs increase faster than output, the community is obviously losing ground in terms of the general welfare; this seems to apply generally to Soviet industry. The quarterly summary already referred to points out that, although the program called for a reduction in production costs of 6.1 per cent, actually there was an increase of 0.7 per cent in January and of 2.4 per cent in February. No later figures are available, but in the recent decline in general productive efficiency these qualitative factors can scarcely have improved. The attempt to attribute this disappointment over production costs to wage increases merely emphasizes the fact that the

money income of the worker is a faulty index to his material welfare. Soviet industry will not have demonstrated its economic fitness until it has shown itself capable of supporting increasing wages without a rise of unit costs, and this achievement obviously lies in the future.

The shortcomings of the industrial program, moreover, are not being offset by gains in agriculture. Recent figures indicate that the Spring sowing campaign for the current year has fallen behind that of 1931, both in absolute amount and in relation to the requirements of the program. Up to June 5 the number of acres cultivated was 206,000,000 acres as compared with 211,000,000 at the same date last year; these figures represent 80 per cent and 84 per cent of the schedules for the two years respectively.

But it should not be inferred from these facts that the concluding year of the Five-Year Program must end in disaster for the Soviet régime. The difficulties besetting Russian industry are significant principally for the light they shed on the long-run development of Soviet economy and, especially, for their bearing on the oft-repeated prediction that the Communist State will promptly take its place at the forefront of modern industrial nations. Such a consummation of Soviet economic planning, if it ever occurs, will be a matter not of years but of generations of hard work and of learning by trial and error. With all the obstacles created by the poverty of the country and its isolation from foreign sources of capital, the acquisition of the material equipment of industry is the easiest part of its task. Dictatorship can squeeze from a docile people the purchasing power required to obtain from other countries the appliances of modern industry and to hire foreign experts to organize them into productive units. But to change the settled habits of the people, to impart to them skill and technique and ways of living foreign to their mores, and above all to train a sufficient number of them in the arts of managing enterprises that are alien and outlandish—these things cannot be done by decree of political authority however absolute and autocratic. The foreign observer of Russian affairs should remember that the principles of social organization contained in communism have not yet met the test of successful, efficient operation in the practical affairs of life. The triumphs of the Five-Year Plan thus far have been chiefly in the externals of the industrial system.

It is obvious, however, that a disappointing conclusion of the Five-Year Plan will not weaken the political control of the Communist party or undermine the authority of its leaders. Success and failure are terms susceptible of various interpretations. The present statistical shortcomings of the program are relative to the revised schedules with their slogan "Five Years in Four," not to the original objectives of the plan. By casting back to the figures of 1928 it can be shown that the record of accomplishment to date is well ahead of the original expectations for the present year; from that standpoint the program has been abundantly successful. Moreover, the rulers of the country are taking steps to insure that this shall be a year of substantial progress in the things which most nearly concern the common man—his food supply and the conveniences of his daily life.

The agrarian decrees which have reduced the government's requisition of farm produce and established free trade in grain, meat and dairy products are intended primarily to increase the prosperity and contentment of the vast peasant population, and secondarily to relieve distress in the urban centres. Their effect thus far has been meager. The peasant finds it hard to believe that activities for which he was severely punished a few weeks ago have suddenly become legal and

meritorious and, accordingly, he is slow to exploit his new opportunities for profit. But the Kremlin is demonstrating its sincerity of purpose in ways which will presently overcome the peasant's suspicion. Nation-wide propaganda, as typified by President Kalinin's appeal on June 3, urges the farmer to turn the new freedom of the market to his personal advantage. The State Bank has set aside 10,000,000 rubles to finance private trade in foodstuffs, and the municipalities are investing large sums in the construction of attractive market places.

As an indispensable complement to the new agrarian policy the Soviet authorities are trying strenuously to increase the supplies of products for household use demanded by the peasants in exchange for their foodstuffs. The schedules of output for all the light industries have been increased, even at the cost of retarding the heavy metal industries which have heretofore received major emphasis. Thus cotton cloth production has been raised almost 1,000,000,000 meters; 91,000,000 pairs of shoes are to be produced in 1932, as against 76,000,000 pairs in 1931; miscellaneous manufacture is scheduled to expand by 30 per cent during the course of the year, and orders have gone forth to all the market cooperatives to provide ample supplies of consumption articles for display in all the rural markets. By these means the Soviet authorities are undertaking to produce a general feeling of well-being throughout the country. Already, wherever the peasant population has responded to their efforts, the beneficial effect of the new policy has been evident in a sharp decline of food prices, an improvement in the morale of the industrial workers and a happier attitude on the part of the villagers.

The *Ninth All-Union* Congress of Trade Unions held in Moscow, in the Spring of 1932, gave the Soviet authorities an opportunity to emphasize their concern for the common welfare, which is to be the keynote of th year's program. Since the last mee ing of this body was held in Decen ber, 1928, the survey of the interve ing years became an epitome of tl progress of the Five-Year Plan i matters most closely affecting tl working man. The statistical sun maries presented to the congress co tain an impressive record of improv ment in the conditions of the wag earner's life. The average annual wag for industry as a whole has increase from 702 rubles in 1928 to 1,1(rubles at the end of 1931, or 56 p cent, and the program for 1932 pr poses to raise the average wage t 1,202 rubles, an increase of nearly 7 per cent. The seven-hour day has bee extended to over four-fifths of tl workers. Other benefits not measure in terms of money income have a crued to the wage earners.

"The growth in the material wel being of the working class of tl Soviet Union," says the official repo of the congress, "can by no means t judged by the growth of individu wages alone. Social insurance, medic aid and other forms of so-called 's cialized wages' amounted in 1931 t over one-third of the individual wage The most important factor of all i the increased well-being of the worl ers is the complete liquidation of u employment, and the increase in tl family budget through the emplo ment of all the able-bodied membe of the family, which has meant a average addition of 53 per cent t the income of the worker's fami since 1928. Total appropriations f the construction of houses, school hospitals, crèches, public baths, &c have increased from 3,371,000,0(rubles in 1927-28 to 9,733,000,0(rubles in 1932. For housing alo 511,000,000 rubles was spent in 192 30, 910,000,000 rubles in 1931, a the plan for 1932 calls for 1,90(000,000."

These figures show how great is tl poverty of the Russian people. A

average annual income of 1,202 rubles is only $601 even at the nominal, and much exaggerated, gold value of the ruble. Moreover, this small income loses much of its meaning in terms of human comfort in a country whose markets are almost bare of consumption goods. The statistics of governmental expenditure on housing and other human needs merely emphasize the absence of decent social life which in progressive capitalist countries is commonplace. But there is no reason to belittle the achievement of the Soviet Union in these aspects of her national economy. That the Russian workers, at any rate, find their present circumstances supportable and and their future hopeful is made clear by their behavior during the past three years. The government has had no difficulty in attracting them into industry in increasing numbers.

The total wage earning population in 1928 was 11,590,000; by 1931 it had increased to 18,600,000, and it will increase again during the present year to 21,000,000. The membership of the trade unions, which are in reality organs of the State, increased during this period faster than population, 5,500,000 new members having been added between 1928 and 1932. The growth of the "shock brigade" movement—a voluntary organization of wage earners dedicated to the faithful performance of the Soviet program—is an indication of an increasing devotion of the workers to the purposes of their political rulers. From small beginnings in 1928 the membership of the shock brigades had expanded to include 29 per cent of all wage earners in 1930 and 72 per cent at the beginning of 1932. It is significant, too, that wage earners in other countries find the conditions of life in the Soviet Union sufficiently attractive to create an embarrassing immigration problem for the Soviet Government. The influx of aliens into the one country free of unemployment had risen to upwards of 1,000 a week when the government took steps in the Spring of 1932 to bring it under control through a newly established department of immigration. This department, under the administration of Michael Borodin, has virtually prohibited further immigration by refusing admission to working men who do not come equipped with return tickets.

The Soviet Government announced on June 10 its intention to issue a new State loan of 3,200,000,000 rubles, the third of a series of approximately equal amount issued during the past four years. The loan is ostensibly a voluntary contribution by the Russian people out of their meagre incomes to the economic program of their rulers. In reality, however, the contribution is not voluntary, since an irresistible social pressure is brought to bear upon the individual to compel him to subscribe as a safeguard against charges of unpatriotic conduct. The Council of Peoples' Commissars has suggested that every wage earner invest three weeks' pay in the loan, and the labor organizations have raised this requirement to a month's wages. An active campaign in the villages brings similar methods of social compulsion to bear on the peasant. It is a foregone conclusion that the loan, supported by such devices of salesmanship, will be marketed successfully.

These internal Soviet loans have little meaning in terms of the financial position of the government, for they represent a transaction which has no counterpart in the public finance of other countries. With unimportant exceptions all money incomes in Russia are drawn, in the last instance, from the public treasury in the form of a paper money theoretically redeemable in gold. To induce the people to return a part of this money to the treasury as a loan is merely to substitute one form of public debt for another. The transaction does not open up to the government new sources of financial support; it contributes to the stability of the

monetary system and makes less difficult governmental control of the price structure. The significance of the Soviet public debt is to be found in its social rather than its fiscal aspects. It affords an opportunity for investment and creates a form of private income from property which does not conform to the strict principles of Communist theory. The present loan, for example, gives the individual a choice between two types of bonds—one bearing 10 per cent interest until redemption, the other offering no interest but a chance to win a glittering prize in a series of lotteries. Investment in either promises as handsome a profit on the money advanced as is usually available to people in unregenerated capitalist countries. As the public debt increases—its amount this year will total nearly $5,000,000,000—it will afford a wider opportunity for the exercise of capitalist virtues, thrift, saving and the search for profit.

Turkey Joins the League of Nations

By ALBERT H. LYBYER
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TURKEY, through its National Assembly, on July 6 accepted membership in the League of Nations, and thereby left only two countries—the United States and Soviet Russia—as occupants of what is jokingly called "the non-League pen" at Geneva. The invitation to Turkey had been extended the same day by the League Assembly on a motion put a week earlier by Spain and seconded by Greece. The friendly spirit which marked Turkey's joining the league was emphasized by the fact that in an address of welcome, Major Gen. Sir Granville Ryrie, once of the Anzacs, warmly praised the Turks for the skill and endurance they had shown at Gallipoli, in Palestine and in Syria during the World War.

The Turkish National Assembly on June 5 passed a law providing that only Turks might pursue certain occupations. Penalties were fixed in the form of fines ranging up to $250. Only about 100 Englishmen and two Americans are said to be affected by the new law, but many thousand Greeks, Italians and Persians are henceforth refused permission to practice as barbers, waiters, chauffeurs, musicians, entertainers, interpreters, clothing and shoe manufacturers, veterinarians, stock brokers and so forth.

As pointed out in these pages last month, a result of the visits of Premier Ismet and his companions to Russia and Italy is that Turkey is planning industrial reorganization on a three-year basis. In addition to advances amounting to $8,000,000 from Russia, a credit of $15,420,000 was obtained from Italy. One-third of the latter sum is to be provided in machinery and industrial material, one-third in cash and one-third is to be credited toward payment for four torpedo boats and two submarines which Italy had agreed to build for Turkey. A third sugar factory is to be established; the cotton industry will be advanced and coal mining facilities will be improved. Turkey desires to establish iron manufacture with her own ore and coal. Making use also of copper from her deposits at Arghana-Maden, she hopes to manufacture her own munitions of war. A system of

State cooperatives is contemplated, and this may be begun by controlling the production, manufacture and sale of opium. A collateral advantage of this plan will be that the suppression of illegal trade in opium will be made easier.

The Turkish Government has made considerable progress during the last ten years toward State control of industry, from a desire, it appears, not so much to imitate Russia as to train the Turkish people more rapidly in business efficiency. Whether by inherent ineptness or by tradition, the Turks have lacked initiative and enterprise, although they are disciplined and sober. The government has acquired the ownership of most of the railroads, and control of the State monopolies of tobacco, salt, gunpowder and alcoholic drinks, has established factories to provide clothing for the army and navy, has acquired most of the Turkish mercantile marine, and provides much of the capital used in banking.

SYRIA ELECTS A PRESIDENT

On June 7 the Syrian Chamber attempted to elect a President, but broke up in disorder. On June 11, however, a compromise was reached between the Nationalists and the French authorities, by which the former were to submit a list of four names from which the French might choose one. In this manner Ahmed Ali Bey el-Abed, a member of a wealthy family, who had been in the Turkish diplomatic service before the war, was elected President of the Syrian State.

According to criticisms of conditions in the Lebanon, which led to the recent suspension of the Constitution, officials were five times as numerous as necessary. Their pay compared with that of rich States and necessitated exorbitant taxation. The administration was bad and the Chamber functioned in a manner "which history will blush to register." Some politicians were said to draw six pensions, because of having held different posts. A proposal for reform requested a Governor or President, chosen by election, a Chamber of fifteen members, the reduction of salaries, the suppression of unnecessary positions, the cancellation of many pensions and the institution of adequate research looking toward industrial and engineering expansion.

It was estimated at the beginning of May that out of 120,000 Armenian refugees in Syria and the Lebanon, three-fourths had been provided with stone houses, for which they were paying on a ten-year instalment plan. The money had been furnished by the League of Nations and various philanthropic organizations, particularly the American Near East Relief. It was expected that in the near future all the Armenian refugees would be removed from temporary barracks to substantial dwellings.

THE KURDS OF IRAQ

Another step has been taken toward quieting the mountain region in the northeast of Iraq. In general the process used in Turkey, Persia and Iraq for governing those portions of the Kurdish people which have fallen to each country is similar, involving the destruction of the tribal organization and attempts to replace it by officials of the ruling race. The Turks have transported many chieftains to Western Asia Minor. The Shah of Persia has been subjugating the tribes of Luristan. Last year the forces of Iraq, aided by the British Royal Air Force, compelled the surrender of Sheikh Mahmud of Southern Kurdistan. The terms involved his residence in a place approved by the government, with the enjoyment of a pension for his support.

In March of the present year the same combination of forces gathered farther north for the suppression of Sheikh Ahmed Barzan, who had been

refusing complete obedience and providing refuge for undesirable persons. In his case there was an unusual religious complication. Not long ago the tribe passed under his leadership from Christianity to Islam. But last Summer he abandoned the new religion and declared himself a divinity to be worshiped. A man not yet 40 years of age, illiterate but very capable, he held the complete loyalty of his immediate followers, but was forced to fight groups who were scandalized by his abandonment of Mohammedanism.

The campaign lasted about four months, a mixture of fighting and diplomacy. The Kurds ambushed the Iraqis and cut their lines of communication, but the Iraqis possessed superior weapons and the British aircraft performed prodigies of valor in the narrow defiles of the rugged mountains. The Sheikh persisted long in refusing offers similar to those made to Sheikh Mahmud in 1931. On June 24, however, he surrendered, together with his two brothers and about 100 followers.

A concession was granted in April to the new British Oil Development Company, to operate west of the Tigris River. The capital is apportioned 51 per cent to the British, 12 per cent to the French, 12 per cent to the Germans and 25 per cent to the Italians. The original capital is $400,000, which is expected eventually to become ten times as much. Operations will be permitted for seventy-five years in an area of 200 miles square.

DROUGHT IN PERSIA

No Winter or Spring rain fell along the northeast shore of the Persian Gulf in the neighborhood of Bushire. The result was a total crop failure, followed by famine and a lack even of drinking water. Steamers bring water to Bushire regularly. Foodstuffs are imported and are very dear. Some parents are reduced to offering their children for sale. Theft and robbery are rife. Some villages have been abandoned by their inhabitants, who have sought in the mountains food for their animals and for themselves.

THE SUEZ CANAL

Traffic in the Suez Canal was above the average of the last two years during the first half of 1931, but subsequently diminished. The total traffic for the year was 5 per cent below that of 1930, and 10 per cent below that of 1929. The receipts for 1931 were 980,000,000 francs, the expenditure 295,000,000 francs. The traffic was 30,000,000 tons in ships of an average size of 7,779 tons. During the first four months of 1932 the traffic showed a reduction of 10 per cent from that of the first four months of 1931.

THE MECCA PILGRIMAGE

The number of pilgrims to Mecca for 1932 has been estimated at 28,000, which is much less than in recent years. Only about 2,000 went from Egypt, as against 14,000 to 20,000 in other years. Economic troubles in the Hejaz are said to be not so bad as recently reported, and transport by automobile from Jeddah to Medina and Mecca and return has been stabilized at about $57. Each pilgrim pays $13.50, to be distributed to various persons or groups for protection and assistance. Hospitals with from 50 to 300 beds have been established at four different points and are attended by thirty physicians from Syria and other Arab countries.

The government of the Hejaz has employed for one year a Dutch financial adviser, who will live at Jeddah and study the financial administration, and in particular the customs system, with a view to recommending improvements. A commercial accord has been reached between King Ibn Saud and the Emir of Koweit.

ANXIETY IN ABYSSINIA

Announcement was made on June 9 that the former Abyssinian Emperor, Lej Yasu, had escaped from captivity and had begun to gather an army.

Soldiers of the present Emperor, Hailie Selassie, were said to be deserting to the former ruler. Lej Yasu became Emperor in 1913, upon the death of his grandfather, Menelik. But the people were alienated by his tyrannical and corrupt government and by his disposition to turn Mohammedan. He was ex-communicated in September, 1916, by the head of the church and then deposed by the great nobles in favor of his aunt, Zauditu. Upon her death in April, 1930, the present Emperor succeeded to the title, after actually ruling the country for a number of years. The former Emperor had been during his fifteen-year captivity in the custody of his cousin, the Ras Kassa, himself a possible claimant to the throne.

Troubles were brewing at the same time on two frontiers—an Abyssinian soldier had attacked an employe of the French railways at Diredawa, and an Abyssinian tribe, the Jile Anuak, had sent about 600 men into the Anglo-Egyptian Sudan and raided a Negro tribe, killing twenty-seven and capturing three times as many, with 800 head of cattle.

Manchuria in World Politics

By TYLER DENNETT*

IN the Manchurian customs controversy, which has been rapidly maturing since the middle of June, Secretary Stimson's Far Eastern policy is meeting its first major test.

The customs incident began with the action of the Manchukuo régime on June 19 in forbidding the deputy collectors of Chinese maritime customs to remit their receipts to Shanghai. There are at least three phases to the dispute. Within the leased railway area, which includes Dairen and Antung, where the bulk of the Chinese customs in Manchuria are collected, Japan is under obligation by treaty to handle these revenues as belonging to China. Outside the leased area the issue is nominally between China and the Changchun authorities, although, actually, since the latter authorities act in response to the directions of Japanese advisers and their commands are carried out by Japanese police, it would be difficult to show that Japan, again, is not the responsible government with which the powers must deal. The third party in interest is the foreign bondholder who is represented by the powers, particularly Great Britain and France and, to a less extent, the United States. The Manchurian customs are a part of the security for the service of the Chinese foreign debt and supply about 15 per cent of the total customs revenue of China.

Not much has been reported as to the action of the Manchukuo régime in the customs matter outside the leased area. If the action at Man-

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chuli, on the Siberian border, on June 30, may be taken as typical, there has been no compromise with the desire of the Changchun officials to get their hands on some ready cash with the least possible delay. The Manchuli customs officer reported that his office had been surrounded and siezed by Japanese policemen and that it had been necessary for him and his staff immediately to evacuate. It is presumed that all Chinese customs receipts have been appropriated.

Within the leased area the situation is more acute and more complicated, since the Japanese Government is the acknowledged responsible authority. J. Fukumoto, the Japanese commissioner of the Chinese customs at Dairen, acting upon the advice of Mr. Kawai, the chief of the foreign affairs section of the Kwangtung Government at Port Arthur, refused to remit, and, when reproved by his chief, Sir Frederick W. Maze, repeated his refusal and, on June 24, was declared insubordinate. The reason given by Mr. Kawai was reported to be that he had good reason to believe that if the Kwangtung Government should fail to require that the Dairen customs receipts be retained, the failure would be regarded by the Changchun officials as "highly provocative." He feared retaliatory measures which would probably take the form of setting up new custom houses on the borders of the leased territory. The effect of such action would be that goods entering Japanese ports of entry in Manchuria would, before finding their way into the Manchurian market, be required to pay a second duty, which would greatly curtail, if not extinguish, Dairen as a commercial port.

The insubordination of Fukumoto consisted in obeying a Japanese official rather than the Inspector General of the Chinese customs. The latter, after conferring with T. V. Soong, the Chinese Finance Minister, dismissed Fukumoto, but he still remains in his office, while his Japanese staff, which resigned, has been taken care of in the harbor offices of the South Manchurian Railway.

While Fukumoto voluntarily withheld the revenues of his office for the benefit of the Changchun authorities, in other cases the revenues were surrendered only under coercion. Robert M. Talbot, the American commissioner at Antung, surrendered his records at the point of a revolver when Japanese policemen entered his home on June 30. In reply to Talbot's protest the Japanese adviser declared that he was acting under orders and that he was prepared to ignore not only the Japanese Consul at Antung, but also all other interests concerned. Talbot was compelled to relinquish his work, but the Japanese Consul promised that his home would be protected from further illegal entry. The action at Antung is all the more significant because it followed several days after the incident at Dairen and after the powers had already made informal protests in Tokyo. It is apparent that the Japanese in Manchuria, those in the leased zone as well as those who are acting as the advisers of the new government, are solidly determined to hasten as rapidly as possible the complete separation of Manchuria from China.

After a week or ten days of informal conversations the British, French and American ambassadors in Tokyo, on June 29, made separate formal representations to the Foreign Office. The interests of the powers are of two sorts. To subtract the Manchurian customs receipts from the funds pledged for the service of the Chinese debts abroad is to reduce the security, already none too good, upon which these loans were made. In this phase of the question the American Government is not greatly interested, although some Chinese bonds are held in the United States. The other phase is a direct challenge to the Stimson policy. The Japanese Government, supported by the British, so it is reported, is seeking a compro-

mise by which the customs office at Dairen will remain under the Chinese customs, while at all other ports of entry the offices will be surrendered to Manchukuo. It is suggested that from the Dairen receipts there will be sent to China a sum sufficient to pay the Manchurian share of the Chinese foreign debt while the balance will be turned over to Changchun. It is difficult to see how such an agreement could be made without the recognition by all the powers of the Manchukuo State, and it has been reiterated in Washington that such recognition will not be given. A compromise along these lines would represent a sweeping disturbance of the administrative entity or integrity of China which the powers so often, and more recently in the Nine-Power treaty, have engaged themselves to respect. It would appear that American policy is again, as so often in the past, tending to support a theory, whereas the policies of the other interested powers contain more of the essential qualities of *Realpolitik*.

The Manchurian customs issue is closely tied up with the underlying question of recognition of the new State. The latter is obviously eager for immediate recognition, at least by Russia and Japan. For Japan to recognize Manchukuo now would not only separate Japan and the United States still farther but would also be little short of an affront to the League of Nations, whose commission, under Lord Lytton, has just made a survey of the Manchurian situation and is now in Tokyo. The Lytton commission will not make its report before the middle of September, and it is not expected that it will be in the hands of the Commission of Nineteen at Geneva for study before Nov. 1. It would certainly be a discourtesy for Japan to recognize the Changchun régime before the League of Nations has taken action upon the report of its commission. The customs incident, however, has made the recognition question acute in Tokyo, as was, perhaps, intended by the Japanese military in Manchuria. The Diet has passed a resolution requesting immediate recognition and it is expected that it will be necessary to reconvene the Diet long before the commission makes its report in Geneva.

The Japanese Government, therefore, has to find a policy that will conciliate both the military in Manchuria and a substantial civilian party at home before the next meeting of the Diet. It is generally understood that Count Uchida, formerly president of the South Manchurian railway and the new Foreign Minister at Tokyo, favors recognition. Such a step probably will be prefaced by treaties and agreements with the new State, similar either to the Platt amendment which the American Government required Cuba to incorporate in her Constitution, or to the arrangements that Great Britain made with Egypt by which the latter became for many years practically a British possession. In any event it is not clear in what way the Stimson policy can be enforced if, with the acquiescence of Great Britain and France, Japan not only recognizes the new State but permits it to retain the customs revenue which formerly went to the Nanking Government.

Of less actual importance, but of no less significance in the international situation, is the possible recognition of the new State by the Soviet Union. Thus far Soviet policy toward Changchun has been both conciliatory and encouraging. "Moscow has been far more realistic than Washington ever since the outbreak of the Manchurian incident," observes Dr. S. Washio in the *Transpacific*. In fact, Moscow has taken several positions distinctly favorable to Manchukuo and has bound itself by no declarations prejudicial to it.

As early as March 2 the Soviet Government ordered its consul general, its commercial agent and the Russian director of the Chinese Eastern Rail-

way at Harbin to withdraw from Manchuria. Thus by possession of the Harbin office the Japanese actually have civilian control of the operations of the railway, in addition to the military control resulting from operations along a large portion of the line from Manchuli to Vladivostok. Tokyo has at times expressed some concern about the movement of Soviet troops toward the border, and there have been rumors of new entrenchments at Vladivostok, but the fact remains that Moscow seems to have accepted with complacency the recent change of government in Manchuria. The Chinese consular officers at Blagoveshchensk, Chita, Harbarovsk and Vladivostok have been encouraged, or forced, by the Soviet Government to vacate their offices in favor of representatives from Changchun.

In January Moscow proposed to Tokyo a non-aggression pact similar to those of the Soviet Government with the Baltic States. At first these overtures were kept secret, but eventually they were allowed to be reported from Moscow. The latter offered no protest to the Japanese occupation of Harbin, and recently declined to cooperate with the Lytton Commission in Manchuria. Evidently Russia has a desire to be conciliatory.

Premier Saito declared on June 2 that the attitude of the Soviet Government had been "perfectly correct," but, as to the non-aggression pact, the Premier appeared to be holding off, as would any good diplomat who believed that he could obtain better terms by delay. Saito declared that Japan had no desire to obtain any interest possessed by others in the Chinese Eastern Railway. Such a statement would be reassuring to France, to the Russian "Whites" and to the Soviet Government. On the other hand, it should be recalled that the Kamchatka fisheries negotiation has made no progress for a year and that the question of Outer Mongolia has yet to be settled.

Mongolia is frankly discussed in *Contemporary Japan*—a new quarterly recently launched in Tokyo under distinguished auspices—in an article by Tokichi Tanaka, formerly Ambassador in Moscow and now Vice Minister for Foreign Affairs in Tokyo. Premier Saito expressed the amusing fear that the non-aggression pact might weaken the force of the Kellogg-Briand pact, but the Vice Minister for Foreign Affairs is more direct. The latter points out that Mongolia is now a closed territory for Japanese trade. Japan, he asserts, does not care who has political control, but she does desire the open door. Tanaka favors recognition of Mongolia as a sovereign republic, despite the fact that it is no more free from Moscow than Manchukuo is from Tokyo.

Putting all the evidence together, it would appear that the situation is ripening for an understanding between Moscow and Tokyo. Perhaps some agreement will be reached by which Japan will recognize the Soviet position in Mongolia in return for Russian recognition of the Japanese position in Manchuria. At the moment the situation is similar to that in 1903 when Japan sought Russian recognition of her right to freedom of action in Korea, and at the same time, demanded the open door in Manchuria. Then the Czar's government was unwilling to concede the desired privileges in Manchuria; the refusal brought on the Russo-Japanese War. Today the Russians are in a more conciliatory mood, but whether they will go so far as to admit the Japanese into Mongolia remains to be seen. If they make this concession, one cannot help wondering how long it will be before the Japanese will have a government in Mongolia, just as they once had one in Korea, and now have in Manchuria. Japanese policy today is so nearly identical with that of 1903-1905 that some of the diplomatic correspondence of that time, brought out with new names and dates, would pass for present-day documents.

The relations of Japan to the League of Nations are likely to be of extreme interest in the next few months. "It is impossible to say," asserted Premier Saito, in his first public statement, "that withdrawal from the League might not, under some circumstances, be the right course for Japan to pursue. But I hope that such circumstances may not arise." No doubt the official attitude of Japan toward the League will be determined by the nature of the report made by the Lytton commission and then by the Commission of Nineteen. Thus Japan holds a threat over the commission, for at the present moment it would appear that by withdrawing from the League Japan would lose less than the League.

While the Lytton commission has publicly committed itself to no recommendations, there are indications in the press reports from both China and Japan which seem to indicate that Great Britain as well as France is working zealously to effect a compromise which will permit Japan to continue as a contented member of the League. It is plain that Japan would withdraw without a moment of hesitation if such a step were necessary to conserve the fruits of the recent military operations in Manchuria. It may, in the next few months, be very difficult for the Stimson policy and the League policy to keep step. Some one in the Manchurian affair is likely to lose some face; at the moment it does not appear to be Japan.

Revolution Comes to Siam

By means of a swift and sudden revolution on June 26, accomplished without loss of life, Siam has slipped into the category of constitutional monarchies after a history of absolute monarchism. Within two days after the army and navy, which led the revolt in the name of the People's party, took charge in Bangkok and made known its intentions, King Prajadhipok announced his cordial acceptance of the constitutional limitation of his own powers. The chief causes of the uprising are believed to be economic. Exports of rice, which is Siam's chief commodity, had dropped because of the economic distress of China and Japan, her best customers. The imposition of new and heavy forms of taxation are also regarded as a factor. On the other hand, the character of the leadership of the revolt, the zeal and firmness with which Princes of the royal family, who were also chiefs of the government bureaucracy, were eliminated in the new government and the fact that there was no noticeable stir among the lower classes, seem to indicate that the motivation might have been political as well.

The Constitution, which the King signed on June 27, established the principle of suffrage for men and women. Temporarily, the power of government will be vested in the King, a Senate, a Senatorial Executive Committee of fifteen and the law courts. All acts or decrees by the King must be approved by a member of the Executive Committee. The King may refuse to sign legislation by the Senate, but if that body insists on it, then it becomes law. The Senate will consist of seventy members, who, at first, will be chosen by the People's party. Within six months the election of half of the Senators will be transferred to the people on the basis of one for each province. When the general level of education is raised, the entire Senate will be elected. One of the first acts of the Executive Committee has been the appointment of a Cabinet directly responsible to it. No Princes are members of the Cabinet, the Committee or the Senate.

The Conventions of 1932

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June 30, the convention adopted with one loud "aye" the remainder of the platform. The only change or addition was the clause relating to human welfare, especially of children, which was written into the platform by the convention on the motion of Mrs. Caroline O'Day of New York, close personal friend of Mrs. Franklin D. Roosevelt. A plank for cash payment of the veterans' adjusted compensation certificates was voted down overwhelmingly, as were numerous schemes for inflation of the currency and for agricultural relief.

The selection of a nominee for the Presidency was begun the same day. Nine long nominating speeches, interrupted by endless parades and seconding speeches of friends of each of the candidates, ran the convention, after a short recess during early evening, far into the small hours of Friday morning. The candidates placed before the assembly were Governor Roosevelt, Speaker Garner, former Governor Smith, Governor Ritchie of Maryland, former Governor Byrd of Virginia, Melvin A. Traylor of Illinois, former Senator James A. Reed of Missouri, "Alfalfa Bill" Murray of Oklahoma and Governor George White of Ohio.

The new day was gleaming through the windows of the Stadium when Senator Connally of Texas, nominator of Speaker Garner, tried to get the body to recess, but the delegates decided by an overwhelming roll-call vote to stay and ballot. It was the strategy of the Roosevelt men to force the balloting then and there.

The arduous task of calling the roll was begun. A disgruntled member of the Minnesota delegation, voting under the unit rule for Roosevelt, demanded a poll of the delegation. This took more time. When New York was reached, John F. Curry, leader of Tammany Hall, demanded a poll. This resulted in an overwhelming victory in that delegation for Smith, and it also gave Mayor Walker his opportunity to stand up before the world and vote for another in preference to Governor Roosevelt, who must sit in judgment upon his right to continue at the head of the New York City Government. Ohio also demanded a poll and more time was consumed. Delegates from the District of Columbia and from Iowa caused still more trouble. The roll-call wore on to the end and no candidate had received the necessary two-thirds majority. The count stood: Roosevelt, 666¼; Smith, 201¾; Garner, 90¼; Ritchie, 21; Baker, 8½; White, 52; Murray, 23; Traylor, 42¼; Byrd, 25; Reed, 24.

A second roll-call was ordered immediately. After more polls demanded by Minnesota, Pennsylvania and the District of Columbia, and arguments as to the rights and places of alternatives, the votes showed still a lack of the necessary two-thirds majority for any candidate, Roosevelt picking up 11½ votes, to make his total 677¾, against Smith's 194¼, Garner's 90¼, Ritchie's 23½, Baker's 8 and 154¾ distributed among other candidates, including this time Will Rogers, the actor-humorist. At this juncture the Roosevelt managers tried to adjourn the meeting. But the "Stop Roosevelt" group would have none of it. Dudley Field Malone of New York started to debate the non-debatable motion, stating that as they had been kept to that point, the New Yorkers were ready to stay until a nomination had been made. There was such a clamor against adjournment that the motion was withdrawn.

Another ballot was ordered. Lines tightened everywhere. Ohio demanded another poll. There was more dissatisfaction in the District of Columbia delegation. When shortly after 9 A. M. the vote was announced, Roosevelt had picked up only 5 votes, making his total 682¾, Smith 190¼, Garner 101¼, Ritchie 23½, Baker 8½ and

145½ scattered among the other favorite sons. With the convention in an apparent deadlock, Mr. McAdoo arose in his place in the California delegation and proposed adjournment until evening, which was agreed to.

Very few delegates slept during the day. With conferences going on right and left, delegation caucuses, reports of bargaining and rumors of switches, there was no sleeping for the harried Democrats. The most important of all those conferences were two going on at the Hotel Sherman—one which brought together the sons and daughters of Texas, the other in which Mr. McAdoo was conferring with his forty-four votes from California. These two conferences lasted until almost 9 P. M., the appointed hour of meeting. There were hasty backstairs talks between managers of the Texas contingent and Mr. McAdoo, and then long-distance telephone conversations with some one else. Exactly at the 9 o'clock deadline there came the word, "Garner has released his delegates."

When that report was verified, the convention knew that the matter of nominating the Presidential candidate was settled. The confirmation came during the fourth roll-call, when the name of California was reached. It was then that the tall, immaculate Mr. McAdoo climbed the steps to the rostrum, and there, amid continuous interruption by Smith supporters in the galleries, announced California's forty-four votes for Roosevelt. This started a bandwagon rush in which only New York, Massachusetts, Rhode Island, New Jersey and Connecticut declined to join, and gave the New York Governor 945 of the convention's 1,154 votes—well over the number required by the two-thirds rule to nominate. Mr. McAdoo swung the tide, and in so doing paid an old score to Mr. Smith that had come down from the interminable session of 1924.

The convention likewise considered the Vice Presidential nomination as settled. Delegates concluded that it would go to Speaker Garner, to whom the California delegation had been pledged. Confirmation of that conclusion came that same night from the triumphant Roosevelt managers. The convention sanctioned the choice the next day by unanimously placing the Texas plainsman on the ticket with Governor Roosevelt.

According to the custom of scores of years, the formal nomination of Speaker Garner for the Vice Presidency would have ended the Democratic convention. But it did not. A telegram had been received from Governor Roosevelt the night before stating that he would arrive the next day to cut the red tape of tradition and be formally notified of his nomination right on the spot where it had taken place. After an air trip from Albany to Chicago and just as the sixth day of the Democratic convention was about to end, the nominee, on the arm of his son, James, strode out across the speakers' platform to the acclaim of nearly 20,000 people. He was breaking tradition and he knew it; his action that day, he declared, was but a symbol of what he intended to do with the time-worn customs of the past in the coming campaign.

"You have nominated me and I know it," he said, "and I am here to thank you for the honor." So saying he obviated the official notification ceremony which would have followed weeks hence. He received the information straight from Senator Walsh of Montana, chairman of the convention. In a speech lasting about forty-five minutes Governor Roosevelt promised to lead the way to a new day in the nation's economic life and to "restore America to its own people."

That night James A. Farley, Mr. Roosevelt's preconvention manager, was chosen chairman of the Democratic National Convention, to pilot the Roosevelt-Garner ticket through the campaign.

Text of the Party Platforms

I—The Republican Party

INTRODUCTION—We, the representatives of the Republican party, in convention assembled, renew our pledge to the principles and traditions of our party and dedicate it anew to the service of the nation.

We meet in a period of widespread distress and of an economic depression that has swept the world. The emergency is second only to that of a great war. The human suffering occasioned may well exceed that of a period of actual conflict.

The supremely important problem that challenges our citizens and government alike is to break the back of the depression, to restore the economic life of the nation and to bring encouragement and relief to the thousands of American families that are sorely afflicted.

The people themselves, by their own courage, their own patient and resolute effort in the readjustments of their own affairs, can and will work out the cure. It is our task as a party, by leadership and a wise determination of policy, to assist that recovery.

To that task we pledge all that our party possesses in capacity, leadership, resourcefulness and ability. Republicans, collectively and individually, in nation and State, hereby enlist in a war which will not end until the promise of American life is once more fulfilled.

LEADERSHIP—For nearly three years the world has endured an economic depression of unparalleled extent and severity. The patience and courage of our people have been severely tested, but their faith in themselves, in their institutions and in their future remains unshaken. When victory comes, as it will, this generation will hand on to the next a great heritage unimpaired.

This will be due in large measure to the quality of the leadership that this country has had during this crisis. We have had in the White House a leader—wise, courageous, patient, understanding, resourceful, ever present at his post of duty, tireless in his efforts and unswervingly faithful to American principles and ideals.

At the outset of the depression, when no man could foresee its depth and extent, the President succeeded in averting much distress by securing agreement between industry and labor to maintain wages and by stimulating programs of private and governmental construction. Throughout the depression unemployment has been limited by the systematic use of part-time employment as a substitute for the general discharge of employes. Wage scales have not been reduced except under compelling necessity. As a result there have been fewer strikes and less social disturbance than during any similar period of hard times.

The suffering and want occasioned by the great drought of 1930 were mitigated by the prompt mobilization of the resources of the Red Cross and of the government. During the trying Winters of 1930-31 and 1931-32 a nation-wide organization to relieve distress was brought into being under the leadership of the President. By the Spring of 1931 the possibility of a business upturn in the United States was clearly discernible, when, suddenly, a train of events was set in motion in Central Europe which moved forward with extraordinary rapidity and violence, threatening the credit structure of the world and eventually dealing a serious blow to this country.

The President foresaw the danger. He sought to avert it by proposing a suspension of intergovernmental debt payments for one year, with the purpose of relieving the pressure at the point of greatest intensity. But the credit machinery of the nations of Central Europe could not withstand the strain, and the forces of disintegration continued to gain momentum until in September Great Britain was forced to depart from the gold standard. This momentous event, followed by a tremendous raid on the dollar, resulted in a series of bank suspensions in this country and the hoarding of currency on a large scale.

Again the President acted. Under his leadership the National Credit Association came into being. It mobilized our banking resources, saved scores of banks from failure, helped restore confidence and proved of inestimable value in strengthening the credit structure.

By the time the Congress met the character of our problems was clearer than ever. In his message to Congress the President outlined a constructive and definite program which in the main has been carried out; other portions may yet be carried out.

The Railroad Credit Corporation was created. The capital of the Federal Land Banks was increased. The Reconstruction Finance Corporation came into being and brought protection to millions of depositors, policy holders and others.

Legislation was enacted enlarging the discount facilities of the Federal Reserve System, and, without reducing the legal reserves of the Federal Reserve Banks, releasing a billion dollars of gold, a formidable protection against raids on the

dollar and a greatly enlarged basis for an expansion of credit.

An earlier distribution to depositors in closed banks has been brought about through the action of the Reconstruction Finance Corporation. Above all, the national credit has been placed in an impregnable position by provision for adequate revenue and a program of drastic curtailment of expenditures. All of these measures were designed to lay a foundation for the resumption of business and increased employment.

But delay and the constant introduction and consideration of new and unsound measures have kept the country in a state of uncertainty and fear, and offset much of the good otherwise accomplished.

The President has recently supplemented his original program to provide for distress, to stimulate the revival of business and employment, and to improve the agricultural situation, he recommended extending the authority of the Reconstruction Finance Corporation to enable it:

(a) To make loans to political subdivisions of public bodies or private corporations for the purpose of starting construction of income-producing or self-liquidating projects which will at once increase employment;

(b) To make loans upon security of agricultural commodities so as to insure the carrying of normal stocks of those commodities, and thus stabilize their loan value and price levels;

(c) To make loans to the Federal Farm Board to enable extension of loans to farm cooperatives and loans for export of agricultural commodities to quarters unable otherwise to purchase them;

(d) To loan up to $300,000,000 to such States as are unable to meet the calls made on them by their citizens for distress relief.

The President's program contemplates an attack on a broad front, with far-reaching objectives, but entailing no danger to the budget. The Democratic program, on the other hand, contemplates a heavy expenditure of public funds, a budget unbalanced on a large scale, with a doubtful attainment of at best a strictly limited objective.

We strongly endorse the President's program.

UNEMPLOYMENT AND RELIEF—True to American traditions and principles of government, the administration has regarded the relief problem as one of State and local responsibility. The work of local agencies, public and private, has been coordinated and enlarged on a nation-wide scale under the leadership of the President.

Sudden and unforeseen emergencies such as the drought have been met by the Red Cross and the government. The United States Public Health Service has been of inestimable benefit to stricken areas.

There has been magnificent response and action to relieve distress by citizens, organizations and agencies, public and private, throughout the country.

To provide against the possible failure of local and State agencies, the President has urged the Congress to create an emergency relief fund to be loaned temporarily to any State on a showing of actual need and temporary failure of its financial resources.

The Republican party endorses this record and policy and is opposed to the Federal Government entering directly into the field of private charity and direct relief to the individual.

PUBLIC ECONOMY—Constructive plans for financial stabilization cannot be completely organized until our national, State and municipal governments not only balance their budgets but curtail their current expenses as well to a level which can be steadily and economically maintained for some years to come.

We urge prompt and drastic reduction of public expenditure and resistance to every appropriation not demonstrably necessary to the performance of the essential functions of government, national or local.

The Republican party established and will continue to uphold the gold standard and will oppose any measure which will undermine the government's credit or impair the integrity of our national currency. Relief by currency inflation is unsound in principle and dishonest in results. The dollar is impregnable in the marts of the world today and must remain so. An ailing body cannot be cured by quack remedies. This is no time to experiment upon the body politic or financial.

BANKS AND THE BANKING SYSTEM—The efficient functioning of our economic machinery depends in no small measure on the aid rendered to trade and industry by our banking system. There is need of revising the banking laws so as to place our banking structure on a sounder basis generally for all concerned, and for the better protection of the depositing public there should be more stringent supervision and broader powers vested in the supervising authorities. We advocate such a revision.

One of the serious problems affecting our banking system has arisen from the practice of organizing separate corporations, under and controlled by the same interests as banks, but participating in operations which the banks themselves are not permitted legally to undertake. We favor requiring reports of and subjecting to thorough and periodic examination all such affiliates of member banks until adequate information has been acquired on the basis of which this problem may definitely be solved in a permanent manner.

INTERNATIONAL CONFERENCE—We favor the participation by the United States in an international conference to consider matters relating to monetary questions, including the position of silver, exchange problems, and commodity prices, and possible cooperative action concerning them.

HOME LOAN DISCOUNT BANK SYSTEM—The present Republican administration has initiated legislation for the

creation of a system of Federally supervised home loan discount banks, designed to serve the home owners of all parts of the country and to encourage home ownership by making possible long-term credit for homes on more stable and more favorable terms.

There has arisen in the last few years a disturbing trend away from home ownership. We believe that everything possible should be done by governmental agencies, national, State and local, to reverse this tendency; to aid home owners by encouraging better methods of home financing; and to relieve the present inequitable tax burden on the home. In the field of national legislation we pledge that the measures creating a home loan discount system will be pressed in Congress until adopted.

AGRICULTURE — Farm distress in America has its root in the enormous expansion of agricultural production during the war, the deflation of 1919, 1920 and the dislocation of markets after the war. There followed, under Republican administrations, a long record of legislation in aid of the cooperative organization of farmers and in providing farm credit. The position of agriculture was gradually improved. In 1928 the Republican party pledged further measures in aid of agriculture, principally tariff protection for agricultural products and the creation of a Federal Farm Board "clothed with the necessary power to promote the establishment of a farm marketing system of farmer-owned and controlled stabilization corporations."

Almost the first official act of President Hoover was the calling of a special session of Congress to redeem these party pledges. They have been redeemed.

The 1930 tariff act increased the rates on agricultural products by 30 per cent, upon industrial products only 12 per cent. That act equalized, so far as legislation can do so, the protection afforded the farmer with the protection afforded industry, and prevented a vast flood of cheap wool, grain, live stock, dairy and other products from entering the American market.

By the agricultural marketing act, the Federal Farm Board was created and armed with broad powers and ample funds. The object of that act, as stated in its preamble was:

"To promote the effective merchandising of agricultural commodities in interstate and foreign commerce so that * * * agriculture will be placed on the basis of economic equality with other industries * * *. By encouraging the organization of producers into effective association for their own control * * * and by promoting the establishment of a farm marketing system of producer-owned and producer-controlled cooperative associations."

The Federal Farm Board, created by the agricultural marketing act, has been compelled to conduct its operations during a period in which all commodity prices, industrial as well as agricultural, have fallen to disastrous levels. A period of decreasing demand and of national calamities such as drought and flood has intensified the problem of agriculture.

Nevertheless, after only a little more than two years' efforts, the Federal Farm Board has many achievements of merit to its credit. It has increased the membership of the cooperative farm marketing associations to coordinate efforts of the local associations. By cooperation with other Federal agencies, it has made available to farm marketing associations a large value of credit, which, in the emergency, would not have otherwise been available. Larger quantities of farm products have been handled cooperatively than ever before in the history of the cooperative movement. Grain crops have been sold by the farmer through his association directly upon the world market.

Due to the 1930 tariff act and the agricultural marketing act, it can truthfully be stated that the prices received by the American farmer for his wheat, corn, rye, barley, oats, flaxseed, cattle, butter and many other products, cruelly low though they are, are higher than the prices received by the farmers of any competing nation for the same products.

The Republican party has also aided the American farmer by relief of the sufferers in the drought-stricken areas, through loans for rehabilitation and through road building to provide employment, by the development of the inland waterway system, by the perishable product act, by the strengthening of the extension system, and by the appropriation of $125,000,000 to recapitalize the Federal land banks and enable them to extend time to worthy borrowers.

The Republican party pledges itself to the principle of assistance to cooperative marketing associations, owned and controlled by the farmers themselves, through the provisions of the agricultural marketing act, which will be promptly amended or modified as experience shows to be necessary to accomplish the objects set forth in the preamble of that act.

TARIFF AND THE MARKETING ACT—The party pledges itself to make such revision of tariff schedules as economic changes require to maintain the parity of protection to agriculture with other industry.

The American farmer is entitled not only to tariff schedules on his products but to protection from substitutes therefor.

We will support any plan which will help to balance production against demand, and thereby raise agricultural prices, provided it is economically sound and administratively workable without burdensome bureaucracy.

The burden of taxation borne by the owners of farm land constitutes one of the major problems of agriculture.

President Hoover has aptly and truly said, "Taxes upon real property are easiest to enforce and are the least flexible of all taxes. The tendency under pressure of need is to continue these taxes unchanged in times of depression, despite the decrease in the owner's in-

come. Decreasing price and decreasing income result in an increasing burden upon property owners * * * which is now becoming almost unbearable. The tax burden upon real estate is wholly out of proportion to that upon other forms of property and income. There is no farm relief more needed today than tax relief."

The time has come for a reconsideration of our tax systems, Federal, State and local, with a view to developing a better coordination, reducing duplication and relieving unjust burdens. The Republican party pledges itself to this end.

More than all else, we point to the fact that, in the administration of executive departments, and in every plan of the President for the coordination of national effort and for strengthening our financial structure, for expanding credit, for rebuilding the rural credit system and laying the foundations for better prices, the President has insisted upon the interest of the American farmer.

The fundamental problem of American agriculture is the control of production to such volume as will balance supply with demand. In the solution of this problem the cooperative organization of farmers to plan production and the tariff, to hold the home market for American farmers, are vital elements. A third element equally as vital is the control of the acreage of land under cultivation, as an aid to the efforts of the farmer to balance production.

We favor a national policy of land utilization which looks to national needs, such as the administration has already begun to formulate. Such a policy must foster reorganization of taxing units in areas beset by tax delinquency and divert lands that are submarginal for crop production to other uses. The national welfare plainly can be served by the acquisition of submarginal lands for watershed protection, grazing, forestry, public parks and game reserves. We favor such acquisition.

THE TARIFF—The Republican party has always been the stanch supporter of the American system of a protective tariff. It believes that the home market built up under that policy, the greatest and richest market in the world, belongs first to American agriculture, industry and labor. No pretext can justify the surrender of that market to such competition as would destroy our farms, mines and factories and lower the standard of living which we have established for our workers.

Because many foreign countries have recently abandoned the gold standard, as a result of which the costs of many commodities produced in such countries have, at least for the time being, fallen materially in terms of American currency, adequate tariff protection is today particularly essential to the welfare of the American people.

The Tariff Commission should promptly investigate individual commodities so affected by currency depreciation and report to the President any increase in duties found necessary to equalize domestic with foreign costs of production.

To fix the duties on some thousands of commodities, subject to highly complex conditions, is necessarily a difficult technical task. It is unavoidable that some of the rates established by legislation should, even at the time of their enactment, be too low or too high. Moreover, a subsequent change in costs or other conditions may render obsolete a rate that was before appropriate. The Republican party has, therefore, long supported the policy of a flexible tariff, giving power to the President, after investigation by an impartial commission and in accordance with prescribed principles, to modify the rates named by the Congress.

We commend the President's veto of the measure, sponsored by Democratic Congressmen, which would have transferred from the President to the Congress the authority to put into effect the findings of the Tariff Commission. Approval of the measure would have returned tariff making to politics and destroyed the progress made during ten years of effort to lift it out of log-rolling methods. We pledge the Republican party to a policy which will retain the gains made and enlarge the present scope of greater progress.

We favor the extension of the general Republican principle of tariff protection to our natural resource industries, including the products of our farms, forests, mines and oil wells, with compensatory duties on the manufactured and refined products thereof.

VETERANS—Our country is honored whenever it bestows relief on those who have faithfully served its flag. The Republican party, appreciative of this solemn obligation and honor, has made its sentiments evident in Congress.

Increased hospital facilities have been provided, payments in compensation have more than doubled and in the matter of rehabilitations, pensions and insurance, generous provision has been made.

The administration of laws dealing with the relief of the veterans and their dependents has been a difficult task, but every effort has been made to carry service to the veterans and bring about not only a better and generous interpretation of the law but a sympathetic consideration of the many problems of the veteran.

We believe that every veteran incapacitated in any degree by reason of illness or injury attributable to service in defense of his country should be cared for and compensated, so far as compensation is possible, by a grateful nation, and that the dependents of those who lost their lives in war or whose death since the war in which service was rendered is traceable to service causes, should be provided for adequately. Legislation should be in accord with this principle.

Disability from causes subsequent and not attributable to war and the support of dependents of deceased veterans whose death is unconnected with war have been to some measure accepted obligations of the nation as a part of the debt due.

A careful study should be made of existing veterans' legislation with a view to elimination of inequalities and injustices and effecting all possible economies, but without departing from our purpose to provide on a sound basis full and adequate relief for our service disabled men, their widows and orphans.

FOREIGN AFFAIRS—Our relations with foreign nations have been carried on by President Hoover with consistency and firmness, but with mutual understanding and peace with all nations. The world has been overwhelmed with economic strain which has provoked extreme nationalism in every quarter, has overturned many governments, stirred the springs of suspicion and distrust and tried the spirit of international cooperation, but we have held to our own course steadily and successfully.

The party will continue to maintain its attitude of protecting our national interests and policies wherever threatened, but at the same time promoting common understanding of the varying needs and aspirations of other nations and going forward in harmony with other peoples without alliances or foreign partnerships.

The facilitation of world intercourse, the freeing of commerce from unnecessary impediments, the settlement of international difficulties by conciliation and the methods of law and the elimination of war as a resort of national policy have been and will be our party program.

FRIENDSHIP AND COMMERCE—We believe in and look forward to the steady enlargement of the principles of equality of treatment between nations great and small, the concession of sovereignty and self-administration to every nation which is capable of carrying on stable government and conducting sound orderly relationships with other peoples, and the cultivation of trade and intercourse on the basis of uniformity of opportunity of all nations.

In pursuance of these principles, which have steadily gained favor in the world, the administration has asked no special favors in commerce, has protested discriminations whenever they arose, and has steadily cemented this procedure by reciprocal treaties guaranteeing equality for trade and residence.

The historic American plan known as the most-favored-nation principle has been our guiding program, and we believe that policy to be the only one consistent with a full development of international trade, the only one suitable for a country having as wide and diverse a commerce as America, and the one most appropriate for us in view of the great variety of our industrial, agricultural and mineral products and the traditions of our people.

Any other plan involves bargains and partnerships with foreign nations, and as a permanent policy is unsuited to America's position.

CONDITIONS ON THE PACIFIC—Events in the Far East, involving the employment of arms on a large scale in a controversy between Japan and China, have caused world-wide concern in the past year and sorely tried the bulwarks erected to insure peace and pacific means for the settlement of international disputes.

The controversy has not only threatened the security of the nations bordering the Pacific but has challenged the maintenance of the policy of the open door in China and the administrative and political integrity of that people, programs which upon American initiation were adopted more than a generation ago and secured by international treaty.

The President and his Secretary of State have maintained throughout the controversy a just balance between Japan and China, taking always a firm position to avoid entanglement in the dispute, but consistently upholding the established international policies and the treaty rights and interests of the United States, and never condoning developments that endangered the obligation of treaties or the peace of the world.

Throughout the controversy our government has acted in harmony with the governments represented in the League of Nations, always making it clear that American policy would be determined at home, but always lending a hand in the common interest of peace and order.

In the application of the principles of the Kellogg pact the American Government has taken the lead, following the principle that a breach of the pact or a threat of infringement thereof was a matter of international concern wherever and however brought about.

As a further step the Secretary of State, upon the instruction of the President, adopted the principle later enlarged upon in his letter to the chairman of the Committee on Foreign Relations of the Senate that this government would not recognize any situation, treaty or agreement brought about between Japan and China by force and in defiance of the covenants of the Kellogg pact.

This principle, associated as it is with the name of President Hoover, was later adopted by the Assembly of the League of Nations at Geneva as a rule for the conduct of all those governments. The principle remains today as an important contribution to international law and a significant moral and material barrier to prevent a nation obtaining the fruits of aggressive warfare. It thus opens a new pathway to peace and order.

We favor enactment by Congress of a measure that will authorize our government to call or participate in an international conference in case of any threat of non-fulfillment of Article 2 of the Treaty of Paris (Kellogg-Briand pact).

LATIN AMERICA—The policy of the administration has proved to our neighbors of Latin America that we have no imperialistic ambitions, but that we wish only to promote the welfare and common interest of the independent nations in the Western Hemisphere.

We have aided Nicaragua in the solution of its troubles and our marines are remaining in that country, in greatly re-

duced numbers, at the request of the Nicaraguan Government only to supervise the coming election. After that they will all be returned to the United States.

In Haiti, in accord with the recommendations of the Forbes commission, appointed by the President, the various services of supervision are being rapidly withdrawn, and only those will be retained which are mandatory under the treaties.

Throughout Latin America the policy of the government of the United States has been and will, under Republican leadership, continue to be one of frank and friendly understanding.

WORLD COURT—The acceptance by America of membership in the World Court has been approved by three successive Republican Presidents and we commend this attitude of supporting in this form the settlement of international disputes by the rule of law. America should join its influence and gain a voice in this institution, which would offer us a safer, more judicial and expeditious instrument for the constantly recurring questions between us and other nations than is now available by arbitration.

REDUCTION OF ARMAMENT—Conscious that the limitation of armament will contribute to security against war, and that the financial burdens of military preparation have been shamefully increased throughout the world, the administration under President Hoover has made steady efforts and marked progress in the direction of proportional reduction of arms by agreement with other nations.

Upon his initiative a treaty between the chief naval powers at London in 1930, following the path marked by the Washington Conference of 1922, established a limitation of all types of fighting ships on a proportionate basis as between the three great naval powers. For the first time, a general limitation of a most costly branch of armament was successfully accomplished.

In the Geneva disarmament conference, now in progress, America is an active participant and a representative delegation of our citizens is laboring for progress in a cause to which this country has been an earnest contributor. This policy will be pursued.

Meanwhile maintenance of our navy on the basis of parity with any nation is a fundamental policy to which the Republican party is committed. While in the interest of necessary government retrenchment, humanity and relief of the taxpayer we shall continue to exert our full influence upon the nations of the world in the cause of reduction of arms, we do not propose to reduce our navy defenses below that of any other nation.

NATIONAL DEFENSE — Armaments are relative and, therefore, flexible and subject to change as necessity demands. We believe that in time of war every material resource in the nation should bear its proportionate share of the burdens occasioned by the public need and that it is a duty of government to perfect plans in time of peace whereby this objective may be attained in war.

We support the essential principles of the national defense act as amended in 1920 and by the Air Corps act of 1926, and believe that the army of the United States has, through successive reductions accomplished in the last twelve years, reached an irreducible minimum consistent with the self-reliance, self-respect and security of this country.

WAGES AND WORK—We believe in the principle of high wages.

We favor the principle of the shorter working week and shorter work day, with its application to government as well as to private employment as rapidly and as constructively as conditions will warrant.

We favor legislation designed to stimulate, encourage and assist in home building.

IMMIGRATION—The restriction of immigration is a Republican policy. Our party formulated and enacted into law the quota system, which for the first time has made possible an adequate control of foreign immigration.

Rigid examination of applicants in foreign countries prevented the coming of criminals and other undesirable classes, while other provisions of the law have enabled the President to suspend immigration of foreign wage-earners who otherwise, directly or indirectly, would have increased unemployment among native-born and legally resident foreign-born wage-earners in this country. As a result, immigration is now less than at any time during the past one hundred years.

We favor the continuance and strict enforcement of our present laws upon this subject.

DEPARTMENT OF LABOR—We commend the constructive work of the United States Department of Labor.

LABOR — Collective bargaining by responsible representatives of employers and employes of their own choice, without the interference of any one, is recognized and approved.

Legislation such as laws prohibiting alien contract labor, peonage labor and the shanghaing of sailors; the eight-hour labor law on government contracts and in government employment; provision for railroad safety devices, of methods of conciliation, mediation and arbitration in industrial labor disputes, including the adjustment of railroad disputes; the providing of compensation for injury to government employes (the forerunner of Federal workers' compensation acts), and other laws to aid and protect labor are of Republican origin, and have had and will continue to have the unswerving support of the party.

EMPLOYMENT — We commend the constructive work of the United States Employment Service in the Department of Labor. This service was enlarged and its activities extended through an appropriation made possible by the President with the cooperation of the Congress. It

has done high service for the unemployed in the ranks of civil life and in the ranks of the former soldiers of the World War.

FREEDOM OF SPEECH—Freedom of speech, press and assemblage are fundamental principles upon which our form of government rests. These vital principles should be preserved and protected.

PUBLIC UTILITIES—Supervision, regulation and control of interstate public utilities in the interest of the public is an established policy of the Republican party, to the credit of which stands the creation of the Interstate Commerce Commission, with its authority to assure reasonable transportation rates, sound railway finance and adequate service.

As proof of the progress made by the Republican party in government control of public utilities, we cite the reorganization under this administration of the Federal Power Commission, with authority to administer the Federal water power act. We urge legislation to authorize this commission to regulate the charges for electric current when transmitted across State lines.

TRANSPORTATION—The promotion of agriculture, commerce and industry requires coordination of transportation by rail, highway, air and water. All should be subjected to appropriate and constructive regulation.

The public will, of course, select the form of transportation best fitted to its particular service, but the terms of competition fixed by public authority should operate without discrimination, so that all common carriers by rail, highway, air and water shall operate under conditions of equality.

The railroads constitute the backbone of our transportation system and perform an essential service for the country. The railroad industry is our largest employer of labor and the greatest consumer of goods. The restoration of their credit and the maintenance of their ability to render adequate service are of paramount importance to the public, to their many thousands of employes and to savings banks, insurance companies and other similar institutions, to which the savings of the people have been entrusted.

We should continue to encourage the further development of the merchant marine under American registry and ownership.

Under the present administration the American merchant fleet has been enlarged and strengthened until it now occupies second place among the merchant marines of the world.

By the gradual retirement of the government from the field of ship operations and marked economies in costs, the United States Shipping Board will require no appropriation for the fiscal year 1933 for ship operations.

ST. LAWRENCE SEAWAY—The Republican party stands committed to the development of the Great Lakes-St. Lawrence seaway. Under the direction of President Hoover negotiation of a treaty with Canada for this development is now at a favorable point. Recognizing the inestimable benefits which will accrue to the nation from placing the ports of the Great Lakes on an ocean base, the party reaffirms allegiance to this great project and pledges its best efforts to secure its early completion.

HIGHWAYS—The Federal policy to cooperate with the States in the building of roads was thoroughly established when the Federal highway act of 1921 was adopted under a Republican Congress. Each year since that time appropriations have been made which have greatly increased the economic value of highway transportation and helped to raise the standards and opportunities of rural life.

We pledge our support to the continuation of this policy in accordance with our needs and resources.

CRIME—We favor the enactment of rigid penal laws that will aid the States in stamping out the activities of gangsters, racketeers and kidnappers. We commend the intensive and effective drive made upon these public enemies by President Hoover and pledge our party to further efforts to the same purpose.

NARCOTICS—The Republican party pledges itself to continue the present relentless warfare against the illicit narcotic traffic and the spread of the curse of drug addiction among our people. This administration has by treaty greatly strengthened our power to deal with this traffic.

CIVIL SERVICE—The merit system has been amply justified since the organization of the Civil Service by the Republican party. As a part of our governmental system it is now unassailable. We believe it should remain so.

THE EIGHTEENTH AMENDMENT—The Republican party has always stood and stands today for obedience to and enforcement of the law as the very foundation of orderly government and civilization. There can be no national security otherwise. The duty of the President of the United States and the officers of the law is clear. The law must be enforced as they find it enacted by the people. To these courses of action we pledge our nominees.

The Republican party is and always has been the party of the Constitution. Nullification by non-observance by individuals or State action threatens the stability of government.

While the Constitution makers sought a high degree of permanence, they foresaw the need of changes and provided for them. Article V limits the proposals of amendments to two methods: (1) Two-thirds of both houses of Congress may propose amendments or (2) on application of the Legislatures of two-thirds of the States a national convention shall be called by Congress to propose amendments. Thereafter ratification must be had in one of two ways: (1) By the Legislatures of three-fourths of the several States or (2) by conventions held in three-fourths of the several States. Congress is given power to determine the mode of ratification.

Referendums without constitutional sanction cannot furnish a decisive answer. Those who propose them innocently are deluded by false hopes; those who propose them knowingly are deceiving the people.

A nation-wide controversy over the Eighteenth Amendment now distracts attention from the constructive solution of many pressing national problems. The principle of national prohibition as embodied in the amendment was supported and opposed by members of both great political parties. It was submitted to the States by members of Congress of different political faith and ratified by State Legislatures of different political majorities. It was not then and is not now a partisan political question.

Members of the Republican party hold different opinions with respect to it and no public official or member of the party should be pledged or forced to choose between his party affiliations and his honest convictions upon this question.

We do not favor a submission limited to the issue of retention or repeal, for the American nation never in its history has gone backward, and in this case the progress which has been thus far made must be preserved, while the evils must be eliminated.

We therefore believe that the people should have an opportunity to pass upon a proposed amendment the provision of which, while retaining in the Federal Government power to preserve the gains already made in dealing with the evils inherent in the liquor traffic, shall allow States to deal with the problem as their citizens may determine, but subject always to the power of the Federal Government to protect those States where prohibition may exist and safeguard our citizens everywhere from the return of the saloon and attendant abuses.

Such an amendment should be promptly submitted to the States by Congress, to be acted upon by State conventions called for that sole purpose in accordance with the provisions of Article V of the Constitution and adequately safeguarded so as to be truly representative.

CONSERVATION—The wise use of all natural resources freed from monopolistic control is a Republican policy, initiated by Theodore Roosevelt. The Roosevelt, Coolidge and Hoover reclamation projects bear witness to the continuation of that policy. Forestry and all other conservation activities have been supported and enlarged.

The conservation of oil is a major problem to the industry and the nation. The administration has sought to bring coordination of effort through the States, the producers and the Federal Government. Progress has been made and the effort will continue.

THE NEGRO—For seventy years the Republican party has been the friend of the American Negro. Vindication of the right of the Negro citizen to enjoy the full benefits of life, liberty and the pursuit of happiness is traditional in the Republican party, and our party stands pledged to maintain equal opportunity and rights for Negro citizens. We do not propose to depart from that tradition nor to alter the spirit or letter of that pledge.

HAWAII—We believe that the existing status of self-government which for many years has been enjoyed by the citizens of the Territory of Hawaii should be maintained, and that officials appointed to administer the government should be bona fide residents of the Territory.

PUERTO RICO—Puerto Rico being a part of the United States and its inhabitants American citizens, we believe that they are entitled to a good-faith recognition of the spirit and purposes of their organic act. We, therefore, favor the inclusion of the island in all legislative and administrative measures enacted or adopted by Congress or otherwise for the economic benefit of their fellow-citizens of the mainland.

We also believe that, in so far as possible, all officials appointed to administer the affairs of the island government should be qualified by at least five years of bona fide residence therein.

ALASKA—We favor the policy of giving to the people of Alaska the widest possible territorial self-government and the selection so far as possible of bona fide residents for positions in that Territory and the placing of its citizens on an equality with those in the several States.

WELFARE WORK AND CHILDREN—The children of our nation, our future citizens, have had the most solicitous thought of our President. Child welfare and protection has been a major effort of this administration. The organization of the White House Conference on Child Health and Protection is regarded as one of the outstanding accomplishments of this administration.

Welfare work in all its phases has the support of the President and the aid of the administration. The work of organized agencies—local, State and Federal—has been advanced and an increased impetus given by that recognition and help. We approve and pledge a continuation of that policy.

INDIANS—We favor the fullest protection of the property rights of the American Indians and the provision for them of adequate educational facilities.

REORGANIZATION OF GOVERNMENT BUREAUS—Efficiency and economy demand reorganization of government bureaus. The problem is non-partisan and must be so treated if it is to be solved. As a result of years of study and personal contact with conflicting activities and wasteful duplication of effort, the President is particularly fitted to direct measures to correct the situation. We favor legislation by Congress which will give him the required authority.

DEMOCRATIC FAILURE—The vagaries of the present Democratic House of Representatives offer characteristic and appalling proof of the existing incapacity of that party for leadership in a national

crisis. Individualism running amuck has displaced party discipline and has trampled under foot party leadership. A bewildered electorate has viewed the spectacle with profound dismay and deep misgivings.

Goaded to desperation by their confessed failure, the party leaders have resorted to "pork barrel" legislation to obtain a unity of action which could not otherwise be achieved. A Republican President stands resolutely between the helpless citizen and the disaster threatened by such measures; and the people, regardless of party, will demand his continued service.

Many times during his useful life has Herbert Hoover responded to such a call, and his response has never disappointed. He will not disappoint us now.

PARTY GOVERNMENT — The delays and differences which recently hampered efforts to obtain legislation imperatively demanded by prevailing critical conditions strikingly illustrate the menace to self-government brought about by the weakening of party ties and party fealty.

Exerience has demonstrated that coherent political parties are indispensable agencies for the prompt and effective operation of the functions of our government under the Constitution.

Only by united party action can consistent, well-planned and wholesome legislative programs be enacted. We believe that the majority of the Congressmen elected in the name of a party have the right and duty to determine the general policies of that party requiring Congressional action, and that Congressmen belonging to that party are, in general, bound to adhere to such policies. Any other course inevitably makes of Congress a body of detached delegates which, instead of representing the collective wisdom of our people, become the confused voices of a heterogeneous group of unrelated local prejudices.

We believe that the time has come when Senators and Representatives of the United States should be impressed with the inflexible truth that their first concern should be the welfare of the United States and the well-being of all of its people, and that stubborn pride of individual opinion is not a virtue, but an obstacle to the orderly and successful achievement of the objects of representative government.

Only by cooperation can self-government succeed. Without it election under a party aegis becomes a false pretense.

We earnestly request that Republicans throughout the Union demand that their representatives in the Congress pledge themselves to these principles, to the end that the insidious influences of party disintegration may not undermine the very foundations of the Republic.

CONCLUSION — In contrast with the Republican policies and record, we contrast those of the Democrats as evidenced by the action of the House of Representatives under Democratic leadership and control, which includes:

1. The issuance of fiat currency.
2. Instructions to the Federal Reserve Board and the Secretary of the Treasury to attempt to manipulate commodity prices.
3. The guarantee of bank deposits.
4. The squandering of the public resources and the unbalancing of the budget through pork-barrel appropriations which bear little relation to distress and would tend through delayed business revival to decrease rather than increase employment.

Generally on economic matters we pledge the Republican party:

1. To maintain unimpaired the national credit.
2. To defend and preserve a sound currency and an honest dollar.
3. To stand steadfastly by the principle of a balanced budget.
4. To devote ourselves fearlessly and unremittingly to the task of eliminating abuses and extravagance and of drastically cutting the cost of government so as to reduce the heavy burden of taxation.
5. To use all available means consistent with sound financial and economic principles to promote an expansion of credit, to stimulate business and relieve unemployment.
6. To make a thorough study of the conditions which permitted the credit and the credit machinery of the country to be made available, without adequate check, for wholesale speculation in securities, resulting in ruinous consequences to millions of our citizens and to the national economy, and to correct those conditions so that they shall not recur.

Recognizing that real relief to unemployment must come through a revival of industrial activity and agriculture, to the promotion of which our every effort must be directed, our party in State and nation undertakes to do all in its power that is humanly possible to see that distress is fully relieved in accordance with American principles and traditions.

No successful solution of the problems before the country today can be expected from a Congress and a President separated by partisan lines or opposed in purposes and principles. Responsibility cannot be placed unless a clear mandate is given by returning to Washington a Congress and a Chief Executive united in principles and program.

The return to power of the Republican party with that mandate is the duty of every voter who believes in the doctrines of the party and its program as herein stated. Nothing less, we believe, will insure the orderly recovery of the country and that return to prosperous days which every American so ardently desires.

The Republican party faces the future unafraid!

With courage and confidence in ultimate success, we will strive against the forces that strike at our social and economic ideals, our political institutions.

II—The Democratic Party

IN this time of unprecedented economic and social distress, the Democratic party declares its conviction that the chief causes of this condition were the disastrous policies pursued by our government since the World War, of economic isolation fostering the merger of competitive businesses into monopolies and encouraging the indefensible expansion and contraction of credit for private profit at the expense of the public.

Those who were responsible for these policies have abandoned the ideals on which the war was won, and thrown away the fruits of victory, thus rejecting the greatest opportunity in history to bring peace, prosperity and happiness to our people and to the world. They have ruined our foreign trade, destroyed the values of our commodities and products, crippled our banking system, robbed millions of our people of their life savings and thrown millions more out of work, produced widespread poverty and brought the government to a state of financial distress unprecedented in times of peace.

The only hope for improving present conditions, restoring employment, affording permanent relief to the people and bringing the nation back to its former proud position of domestic happiness and of financial, industrial, agricultural and commercial leadership in the world lies in a drastic change in economic and governmental policies.

Believing that a party platform is a covenant with the people to be faithfully kept by the party when entrusted with power and that the people are entitled to know in plain words the terms of the contract to which they are asked to subscribe, we hereby declare this to be the platform of the Democratic party.

The Democratic party solemnly promises by appropriate action to put into effect the principles, policies and reforms herein advocated and to eradicate the policies, methods and practices herein condemned.

WE ADVOCATE:

1. An immediate and drastic reduction of governmental expenditures by abolishing useless commissions and offices, consolidating departments and bureaus and eliminating extravagance, to accomplish a saving of not less than 25 per cent in the cost of Federal Government; and we call upon the Democratic party in the States to make a zealous effort to achieve a proportionate result.

2. Maintenance of the national credit by a Federal budget annually balanced on the basis of accurate executive estimates within revenues, raised by a system of taxation levied on the principle of ability to pay.

3. A sound currency to be preserved at all hazards, and an international monetary conference called on the invitation of our government to consider the rehabilitation of silver and related questions.

4. A competitive tariff for revenue, with a fact-finding tariff commission free from executive interference, reciprocal tariff agreements with other nations, and an international economic conference designed to restore international trade and facilitate exchange.

5. Extension of Federal credit to the States to provide unemployment relief wherever the diminishing resources of the States make it impossible for them to provide for the needy; expansion of the Federal program of necessary and useful construction affected with a public interest, such as flood control and waterways, including the St. Lawrence, Great Lakes deep waterways; the spread of employment by a substantial reduction in the hours of labor, the encouragement of the shorter week by applying that principle in government service; advance planning of public works.

6. Unemployment and old-age insurance, under State laws.

7. For the restoration of agriculture, the nation's basic industry, better financing of farm mortgages through reorganized farm bank agencies at low rates of interest, on an amortization plan, giving preference to credits for the redemption of farms and homes sold under foreclosure; extension and development of the farm cooperative movement and effective control of crop surpluses so that our farmers may have the full benefit of the domestic market.

Enactment of every constitutional measure that will aid the farmer to receive for basic farm commodities prices in excess of cost of production.

8. A navy and an army adequate for national defense, based on a survey of all facts affecting the existing establishments, that the people in time of peace may not be burdened by an expenditure fast approaching $1,000,000,000 annually.

9. Strict and impartial enforcement of the anti-trust laws to prevent monopoly and unfair trade practices, and revision thereof for the better protection of labor and the small producer and distributer; conservation, development and use of the nation's water power in the public interest.

10. Protection of the investing public by requiring to be filed with the government and carried in advertisements of all offerings of foreign and domestic stocks and bonds, true information as to bonuses, commissions, principal invested and interests of sellers. Regulation to the full extent of Federal power of:

(a) Holding companies which sell securities in interstate commerce;

(b) Rates of utility companies operating across State lines;

(c) Exchanges trading in securities and commodities.

11. Quicker methods of realizing on assets for the relief of depositors of sus-

pended banks, and a more rigid supervision of national banks for the protection of depositors and the prevention of the use of their moneys in speculation to the detriment of local credits.

The severance of affiliated securities companies and the divorce of underwriting schemes from commercial banks; and further restriction of Federal Reserve banks in permitting the use of Federal Reserve facilities for speculative purposes.

12. The fullest measure of justice and generosity for all war veterans who have suffered disability or disease caused by or resulting from actual service in time of war, and for their dependents.

13. A firm foreign policy including: Peace with all the world and the settlement of international disputes by arbitration; no interference in the internal affairs of other nations; the sanctity of treaties, and the maintenance of good faith and of good will in financial obligations; adherence to the World Court with the pending reservations; the Pact of Paris, abolishing war as an instrument of national policy, to be made effective by provisions for consultation and conference in case of threatened violation of treaties; international agreement for reduction of armaments, and cooperation with nations of the Western Hemisphere to maintain the spirit of the Monroe Doctrine. We oppose cancellation of the debts owing to the United States by foreign nations.

14. Independence for the Philippines; ultimate Statehood for Puerto Rico; the employment of American citizens in the operation of the Panama Canal.

15. Simplification of legal procedure and reorganization of the judicial system to make the attainment of justice speedy, certain and at less cost.

16. Continuous publicity of political contributions and expenditures, strengthening of the corrupt practices act and severe penalties for misappropriation of campaign funds.

17. We favor the repeal of the Eighteenth Amendment.

To effect such repeal, we demand that the Congress immediately propose a constitutional amendment to truly representative conventions in the States called to act solely on that proposal.

We urge the enactment of such measures by the several States as will actually promote temperance, effectively prevent the return of the saloon and bring the liquor traffic into the open under complete supervision and control by the States.

We demand that the Federal Government effectively exercise its power to enable the States to protect themselves against importation of intoxicating liquors in violation of their laws.

Pending repeal, we favor immediate modification of the Volstead act to legalize the manufacture and sale of beer and other beverages of such alcoholic content as is permissible under the Constitution and to provide therefrom a proper and needed revenue.

WE CONDEMN:

1. The improper and excessive use of money in political activities.

2. Paid lobbies of special interests to influence members of Congress and other public servants by personal contact.

3. Action and utterances of high public officials designed to influence stock exchange prices.

4. The open and covert resistance of administrative officials to every effort made by Congressional committees to curtail the extravagant expenditures of the government, and to revoke improvident subsidies granted to favored interests.

5. The extravagance of the Farm Board, its disastrous action which made the government a speculator in farm products, and the unsound policy of restricting agricultural production to the demands of domestic markets.

6. The usurpation of power by the State Department in assuming to pass upon foreign securities offered by international bankers, as a result of which billions of dollars in questionable bonds have been sold to the public upon the implied approval of the Federal Government.

7. The Hawley-Smoot tariff law, the prohibitive rates of which have resulted in retaliatory action by more than forty countries, created international economic hostilities, destroyed international trade, driven our factories into foreign countries, robbed the American farmer of his foreign markets and increased his cost of production.

CONCLUSION:

To accomplish these purposes and to recover economic liberty we pledge the nominees of this convention, and the best effort of a great party whose founder announced the doctrine which guides us now, in the hour of our country's need, "equal rights to all, special privileges to none."

ADDED BY AMENDMENT:

We advocate the continuous responsibility of government for human welfare, especially for the protection of children.

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CURRENT HISTORY

SEPTEMBER 1932

Does America Need a Dictator?

By FREDERIC A. OGG
Editor, American Political Science Review

Is the American Constitution "in process of deterioration, and not of growth," as ex-Congressman James M. Beck has assured us in his recent book, *Our Wonderland of Bureaucracy*? Has American and foreign confidence in our national institutions been "shaken to its foundations," as the editors of *Vanity Fair* oracularly assert? How many more of our "representative men" would concur with the fifty who confessed to Gordon Selfridge during his recent visit to America that they thought with him that democracy cannot possibly succeed as a system of government in the United States? Is it possible, as asked by intelligent men at the Cleveland meeting of the League for Independent Political Action in July that this is the last time we shall be preparing to elect national officers under the Constitution? Are we really headed toward the dictatorship which is being talked about furtively in some quarters, advocated openly in others and predicted by many sober-minded people, including not a few members of Congress? Is a dictatorship what we at present stand in need of? Have we, indeed, a dictatorship *already*, as a co-author of *The Washington Merry-Go-Round* maintains in his latest book, *Why Hoover Faces Defeat*?

By the clock of human existence, the 143 years during which the United States has lived under its system of government is no very long stretch of time. It has proved sufficient, however, for thirteen federated commonwealths to grow to forty-eight; for 4,000,000 people to increase to 124,000,000; for a brief and simple roll of parchment to develop into one of the world's two or three most imposing systems of constitutional law; for a national government consisting of George Washington and a Congress to become a colossal political establishment with more than 600,000 officers and employes, an annual budget of $4,500,000,000 and regulative powers and managerial functions beyond anything dreamt of even when Grover Cleveland and William McKinley trod the national stage.

For decades the American government has been a huge, living, expanding and—most people supposed—rea-

sonably successful, going concern. It has weathered foreign hostility, sectional jealousy, civil war, financial embarrassment, political corruption, stresses and strains without number incident to amazing changes in the social and economic environment amidst which it functions. Has it gone so far only to find itself in a *cul de sac*? Has it fallen upon times so extraordinary that the only way in which it can make the supreme effort required to pull the country back from the precipice is by allowing itself to be refashioned on a fascist or other exotic model?

There is throughout the world today some doubt about the efficacy of democracy, and even about the capacity of representative government, as we know it, to survive. Fifty years ago the situation was far otherwise. Monarchs and bureaucrats and landed aristocracies, to be sure, still placed such obstacles as they could in the pathway of democratic advance. Bismarck thought elective legislatures about as edifying as June bugs in bottles; Carlyle railed at "government by windbags"; even Disraeli talked upon occasions about "that fatal drollery called representative government." Throughout the English-speaking world, however—and in other lands besides—there was general agreement with John Stuart Mill that representative government is "the best form of polity"—the only form, Jefferson had asserted, by which the rights of man can be secured. Perhaps it was merely complacent optimism; but at all events government by, as well as of and for, the people was accepted by men generally as little short of axiomatic.

A war to "make the world safe for democracy" was by the same token a war for representative government. Hardly, however, were new democratic political systems installed under a dozen post-war European constitutions before sharp reaction, born of distress and disillusionment, set in. Already Russia, after a fling at liberalism, had yielded to a relentlessly autocratic communistic régime. Fascism raised its head in Italy. And presently, dictatorships — sometimes open and sometimes disguised—took possession not only in the countries named but in Portugal, Spain, Poland, Hungary, Albania, Yugoslavia and Turkey, with Germany hovering on the brink. Everywhere resurgent autocracy justified itself by arguing that popular, representative government is unintelligent, incompetent and (at least under post-war conditions) indefensible — in particular, that you cannot get things done under it, and that if you do, they are not the right things.

Wherever dictatorships have arisen parliamentary government has become a fiction. In some quarters, notably the new Spanish Republic, dictatorial régimes have, at least for the time being, had their day, and have given place to something else. But fascism and communism are still sapping the strength of democracy the world over; half of Europe continues under dictatorship; Japan, harassed by the worst economic conditions in a generation, seems to be silently but steadily going fascist; a wave of communism is sweeping over Latin America, which of late has had even more than its traditional share of *coups d'état* and actual or threatened dictatorships. Even in Great Britain the Mother of Parliaments is at a low ebb of authority and prestige, and a Cabinet, frankly described by Englishmen themselves as dictatorial, is—in the form of Ramsay MacDonald's National Government—claiming and wielding powers which have all but wrenched the historic Constitution from its moorings.

Americans have been prone to the easy assumption of the optimistic philosopher in Voltaire's *Candide* that our government is the best in the best of all possible worlds. We are aware, of course, that the Constitu-

tion, when it was adopted, was opposed by large and respectable elements. We know that from 1789 until today the division of powers incident to our Federal form of organization has been responsible for no end of doubts, controversies, delays, deadlocks, duplications and waste. We recall the criticisms of a long line of European observers and writers, from de Tocqueville and Charles Dickens to Lord Bryce and André Siegfried. We remember the unfavorable comparison drawn by Woodrow Wilson in his *Congressional Government,* nearly half a century ago, between the smooth-working responsible Cabinet government of Great Britain and the difficult, slow, and often futile operation of our Presidential system; the famous chapter in Edwin L. Godkin's *Unforeseen Tendencies of Democracy,* published in 1898, in which "the decline of Legislatures" was depicted principally in terms of the steadily deteriorating character and weakening position of our Congress and our State Legislatures. In William MacDonald's trenchant volume, *A New Constitution for a New America* (1921), one of our ablest students of public affairs took the position that our historic political system has fallen so completely out of step with our social and economic order that nothing less than a revision of our Constitution from beginning to end—to be undertaken by the only agency conceivably equal to such a task, a national convention—will serve to bring it into line with the national needs. Many of us in these later days have been alternately amused and shocked by the ringing indictments of our growing paternalism contained in such books as *The Federal Octopus,* by S. E. Edmunds, and *Our Wonderland of Bureaucracy,* by James M. Beck.

We are aware, also, that our system of government has undergone a great deal of change since the plans and specifications for it came from the hands of the Fathers. Certainly, a Washington or a Jefferson returning to earth would view the scheme as it now stands with amazement. Contrary to intention, its basis has become as democratic as universal suffrage can make it. In nearly half of the States its purely representative character has been modified by the introduction of such devices of direct democracy as the initiative and referendum. The scale has been tipped far to the advantage of the National Government as against the States, and the latter are tending to become principally administrative collaborators with, and even mere agents of, the former. The executive branch has grown enormously at the expense of the legislative; so, too, has the judicial branch. A National Government that once considered its duty done when foreign relations were taken care of, defense against attack provided for, and domestic peace assured is found inspecting packing establishments in Chicago, helping Mississippi cotton-growers fight the boll weevil, enlightening gardeners on the use of calcium in growing spinach and giving mother pointers on bringing up Bobby! It has even gone into business on its own account, sometimes in active competition with private individuals and corporations.

Considering that ours is the government of a new and growing country in which economic and social changes reset the stage of political life with every passing generation, it has held, withal, to a remarkably even course through these 143 years. The great concepts underlying it—the representative principle, limited powers, the separation of executive, legislative and judicial functions, checks and balances, supremacy of civil over military authority—have been adhered to. Some of them have found applications in unexpected directions and do not mean to us what they meant to our grandfathers. But, by and large, they have not been overborne; and a government organized and conducted in

accordance with them has been able to extricate the country from every crisis that has befallen it—every crisis except perchance the one now upon us. We have had foreign war and civil war. We have had discontent and disaffection. We have had "hard times" and depressions in plenty. Are the economic disasters and social miseries of today—admittedly the worst in the country's history—so cataclysmic and so superlatively baffling that the government of Washington and Lincoln and Wilson will have to be pulled up by the roots and something different put in its place to save the nation?

There are those—many, indeed—who seem to think so. As the months have passed, and conditions have failed to show definite improvement, more and more people have been thinking and talking about the matter—people who in ordinary times take government for granted and concern themselves with it not at all. Sometimes the talk is in whispers. Often it is not for publication. But high officials and members of Congress are engaging in it. Bankers, business men, captains of industry and labor leaders are participating. Professional students of economics and politics are turning the problem over in their minds. Publicists are having their say. Newspapers, including the tabloids, are coming out with startling speculations, sensational predictions, challenging demands.

It is right that we look to government in our predicament. Government should and must be an instrument of our recovery. There is, nevertheless, a certain irony in the rush with which people who in days of prosperity take their civic obligations casually, or content themselves with prating about "too much government," turn to government in their hour of distress for the help which they naïvely assume it can unfailingly supply.

What is the purport of the things that are being said? More specifically, what are the proposals of those who think that something will have to be done beyond anything that the President, Congress, the Reconstruction Finance Corporation and other leaders and agencies at Washington have as yet envisaged?

To start with the most moderate suggestions, we note first the proposal of Owen D. Young, offered in a commencement address at Notre Dame University in June, that for the time being our system of checks and balances may have to be partially abandoned and the President endowed with such emergency powers as will enable him to deal promptly and decisively with turns of the economic crisis as they appear. "When trouble comes," said Mr. Young, "we need some one with understanding and with power to marshal all our forces, to direct the course of the avalanche so that the least damage may be done, and to stop it if possible." There was no specification of the sorts of power to be conferred, but some of them can readily be surmised. As a matter of fact, the President already has "emergency powers," bestowed originally upon President Wilson during the war; and President Hoover gave public recognition to the fact in a statement of May 13, in which, after asserting that he had "no taste for them," he reminded the country that "we used emergency powers to win the war; we can use them to fight the depression, the misery and suffering from which are equally great."

During the interval before the next assembling of Congress the White House will not unlikely be impelled to take steps which only an emergency would justify. Mr. Young, perhaps, would have had Congress dramatize the situation by making a fresh grant; at all events, he considers that we ought not to allow our traditional insistence "on sharply delegated powers with adequate checks and balances" to obstruct any move on the part of

the President calculated to help us along the road to recovery.

A second proposal is that we turn to the principle of coalition. Great Britain has in effect done so, even though Mr. MacDonald's emergency Cabinet be regarded as not in the truest sense a coalition; it is argued that there is no less need in our own country for a government of "all the talents." Let the President elected in November, it is suggested, surround himself with a Cabinet drawn from all parties. Let him then call upon Congress and the country to consider politics adjourned and thenceforth to wage the battle for a revived prosperity with a completely united front. Some people profess to believe that between now and Nov. 8 President Hoover will indicate his intention, if re-elected, to pursue such a course. Even during the last session of Congress the principle of coalition came frequently into play in the cooperation of Republican and Democratic leaders, in both houses, on major matters; and it is argued that the two parties are really so near each other on most subjects that, under continuing emergency conditions, they might easily work together more frankly and fully.

More often, however, the suggestion of coalition looks rather to the setting up a sort of economic super-Cabinet, drawn from the best financial, industrial and agricultural brains of the country—something on the order of the Council of National Defense which advised President Wilson and worked out important policies and measures during the war, and out of which grew powerful agencies like the War Industries Board and the Food Administration. It will be recalled that in June of the present year thirty-six leaders in the fields of finance, industry and labor renewed a proposal offered a number of times previously by Howard E. Coffin and others that the former council be revived, or another like it appointed, and that President Hoover objected, on the ground that the council as once existing was adapted only to wartime conditions and that other Federal agencies were already at work on the problems at present requiring attention.

Many people, however, remained unconvinced, and the council idea is still decidedly alive. Julius E. Barnes, chairman of the United States Chamber of Commerce, again urged it in an article in the July issue of the *Harvard Business Review*. In point of fact, the President has long been seeking and acting on the advice of a group of men competent to speak on business and economic affairs, and prolongation of the emergency may bring him to the conclusion that there would be nothing to be lost by coming out into the open with the announcement of an advisory council such as has been advocated.

Going further, we encounter bold demands for a dictatorship—a term familiar enough on the pages of European and Latin-American history, but of strange appearance, indeed, when used in the public prints concerning the United States. The fact is, nevertheless, that for a good while certain powerful elements have been toying with the idea that the only way out of our troubles lies through the establishment of some form of economic and political dictatorship, and meetings of important personages are known to have been held in New York and Chicago at which sentiment was tested out and possibilities discussed. It does not appear that anything more startling came out of these conferences than a more or less general consensus in favor of a coalition super-Cabinet of bankers and industrialists. But in other quarters there has been less moderation.

In the June number of *Vanity Fair*, the editors, asserting that we are in the grip of a crisis "infinitely more

dangerous to American civilization than the World War," and that constitutional handicaps and political ineptitude have brought us to such a pass that American and foreign confidence in our national institutions has been "shaken to its foundation," go on to declare that there are only two conceivable remedies: (1) The formation of a national party, apart from and above the existing parties, pledged to support candidates who will work for broad national government; and (2) the establishment of a frank dictatorship. There being no hope of the former, we must turn to the latter. "Appoint a dictator! Give to the next President the powers he would enjoy in time of war for the duration of the present emergency."

Writing editorially in *Liberty* for June 25, Bernarr Macfadden, after endorsing General Pershing's declaration that we are in a state of economic war, goes on to say: "We are trying to remedy this revolutionary situation with the rigid, immovable restrictions of civil and constitutional law. It cannot be done. War should be declared just as it is when we are attacked by an outside enemy. The enemy on this occasion is within. There is no use trying to deceive ourselves. Unless something can be done to remedy the appalling situation we are now facing, revolution may be upon us at any time. * * * What we need now is martial law; this is no time for civil law. The President should have dictatorial powers. The edicts of the Constitution do not interfere with a General when he is fighting a battle; and the Constitution should not interfere with the remedies which are essential to get us out of this appalling depression."

Panicky deliverances such as the foregoing are invariably bracketed with expressions of disbelief in the capacity of a government of divided powers to handle the situation such as that which confronts us, and also of utter despondency concerning the ability of Congress to deal with national problems in a manner adequate to our needs.

We have lately had from the pen of Henry Hazlitt—in *Scribner's Magazine* for July—a proposal, offered in all seriousness, though without much apparent hope, that we simply do away with Congress and set up in its stead a national board, or council, of twelve "directors," elected for four years from the entire country as a single constituency, and according to the principle of proportional representation, so that all parties may have a chance to win some of the places. Under this plan, the President would be the councilor elected by the largest vote; and though endowed with some independent power—for example, that of veto—in the main he would act with the council, and under responsibility to it, as the British Cabinet acts in relation to the House of Commons. This, Mr. Hazlitt assures us, would impart to our government the unity, force and promptness of decision which it now so lamentably lacks.

Finally, there is fascism pure and simple. Fascist movements in the United States have not yet come out into the open, but it is known that at least two or three have been organized quietly, and the question has been pointedly raised as to whether we are definitely headed in that direction. The masses are bearing up wonderfully well under their troubles. They have not given up hope. They are not in revolt against society or against government. There is no prospect of revolution from below. But what about revolution from above? May we not witness capture of power—not by gross methods of violence but by graceful usurpation—by interests that will fasten upon us a fascist régime? Implicit in proposals noted above is the telltale demand for a "strong man." One of the editorials cited was indeed headed, "Wanted, a Mussolini!" Democratic government, we are told,

has broken down. The leisurely processes of parliamentary debate completely fail the requirements of economic decision. The people are incapable of ruling themselves, and have at last found it out. Pressed by calamity, they are uttering an instinctive call for integrated responsibility and power, and in their present mood would be perfectly willing to have a government run like a huge corporation, with a dictator President and Congress acting merely as a dummy board of directors.

What is to be the upshot? The next five years will tell. Perhaps we shall have a dictator. Perhaps we shall go fascist. Who can guarantee that we may not even some day go communist? There is no good reason, however, why any of these things should happen. We have a people too prone to civic indifference, yet with a civic sense now being galvanized into vigor. We have a political system which they can control as far as they like. We have statesmanship in public places, and large resources of it still unused. The credit of the country is good. We have no neighbors who in their desperation might turn upon us. All around we are in an immensely better position to solve our problems than are most nations of Europe or Latin America, even though our problems cannot be wholly solved unless theirs are also. So far as it is the business of government to do it at all, our political instrumentalities are adapted to pull us through; and the temper of our people is such that, given proper opportunity and support, our system will emerge unscathed in its essentials from the fires through which it will have passed. That will be less exciting than some other things that might happen. But it will be meaningful and gratifying.

In point of fact, the government at Washington has served the country—especially in the more recent stages of this crisis—both more assiduously and to better effect than is as yet commonly recognized. President Hoover has labored prodigiously, and has added to his exceptional abilities as a planner and organizer something of the quality of leadership which the times so pre-eminently demand, but which he has commonly been supposed to lack. His record is not one for unreserved endorsement. He did not see what was in store for the country as soon as he should have; his optimism held him back from strong measures that ought to have been taken earlier; he has wavered when positiveness of word and action was needed; and he has too often yielded, against good advice, to interests and groups with which his personal philosophy makes him naturally sympathetic. Nevertheless, if what the nation wants in a President is that he have a program and be able to carry it out, the recent almost 100 per cent record of Mr. Hoover in securing what he desired from a Congress in which he had no majority in one house and only an uncertain one in the other must be set down as impressive. The point of present interest, however, is not the personal fortunes of the existing incumbent of the White House, but rather the fact that the Presidency, even in the hands of a man of Mr. Hoover's type, does after all, notwithstanding its actual and supposed limitations, lend itself to getting things done.

As for Congress, an immense amount of the criticism heaped upon that really sturdy branch of our government is flippant, uninformed, or otherwise mistaken and unfair. Heaven knows that it has shortcomings enough. But not all its waste of time, its misdirection of effort, and its playing of politics prevent a great deal of earnest and intelligent work from being done on Capitol Hill. The session which closed in July was specially notable for the patriotic and cooperative spirit in which—notwithstanding national and State elections looming straight ahead—all political elements put their best efforts into the enact-

ment of remedial and constructive measures for national relief and recovery. No other Congress since the World War translated so many important bills into law. It was a hard job, to be sure, and the result was not perfect. But somehow the thing was done. One, indeed, is constrained to wonder what a dictator, or a national "board of directors," would do that is not already being done through the regularly constituted agencies that we possess.

The President may yet bring into play some of the emergency powers which, as pointed out above, he already possesses. But that would mean "dictatorship" in no genuine sense of the term. He might place both Democrats and Republicans in the Cabinet. But that would hardly be revolutionary. An economic super-Cabinet might be set up for the duration of the depression. But if it were it would be found to consist principally of men who already for months have been among the President's most intimate advisers. Certainly our form of government would suffer no shock from listing them publicly. Much the same would be true if the Council of National Defense were revived. In any event—even if a planning agency were provided for on a permanent basis —a super-Cabinet or council would exist only to plan and advise, with the President and Congress still charged with bringing things to pass, in so far as governmental action was called for at all. Serving as, to all intents and purposes, a general board of strategy for the business world, the council would discharge many of its functions through the avenue of direct influence upon business men and organizations, and its existence would not really affect the government greatly except as lines of desirable legislation and administrative policy were developed and recommended for adoption or rejection at Washington. It would be in no sense an executive board, even for business, much less for government.

These are some of the things that might be done without touching the fundamentals of our political system. Without waiting for normal conditions to be restored, we also might, and should, see that the national administrative machinery is given its long overdue reorganization, lobbyist activities of pressure groups curtailed, a water-tight budget system installed in Washington, a new mode of tariff-making devised, genuine closure rules adopted in the Senate, Cabinet members admitted to the floor of Congress and a long list of other things done in the interest of more responsive and efficient government. Far from subverting our political order, however, such changes would merely be in line with its normal and orderly development. Few, if any, would so much as require a constitutional amendment.

The times are indeed difficult. But no grounds have yet appeared on which to pronounce our institutions a failure. The American democracy survives, and is sound at heart. Whatever may be true elsewhere, men and women here continue to believe in universal suffrage, elective legislatures, majority rule, limited powers, responsible officers. They see need for unity and decision when crisis comes, but they think them not unattainable under the system that we have, and in any event possible of attainment at not too great a price. They do not covet celerity and efficiency at the hand of a Mussolini or a Pilsudski. To demand a dictator, preach fascism, and pronounce our system of government a failure is to commit the double error of attributing to government a power of working magic in the economic world which it does not possess, whatever its form, and of rocking the boat at a juncture when what we chiefly need is intelligent and sympathetic cooperation under the political institutions that have so long served us.

Disarmament and Delusion

By J. F. C. FULLER

[The following article, which represents a strikingly individual standpoint on the disarmament problem and which should be read in conjunction with Mr. Gerould's contribution on the subject in "The Month's World History" section of this magazine, is written by a Major General in the British Army whose services in the South African War and the World War won for him decorations from his own and foreign governments. During the past decade General Fuller has written several books on various phases of warfare, including *The Reformation of War, The Foundations of the Science of War, On Future Warfare* and *The Generalship of Ulysses S. Grant*. His most recent work, *The Dragon's Teeth: A Study of War and Peace*, was published in England on the eve of the meeting of the Disarmament Conference.]

THE first stage of the Geneva Disarmament Conference ended on July 24, and it is now possible to examine in retrospect the activity of this assembly. What has it accomplished? This is what every lover of peace wants to know; if it has accomplished nothing of practical value, then not only is it a delusion and a snare but a pretentious menace to peace itself.

Before we examine this question we should consider certain elementary facts concerning the causes of war, because it must be obvious to all who think that if the causes of war are eliminated armaments must lose their value, and as they do so, disarmament will become automatic. The first fact realized by every student of war is that the fundamental cause of war is discontent with the existing order of things. The second is that the form discontent takes depends upon the nature of the civilization of the period under examination. When civilization is based on religion, as it was during the Middle Ages, discontent assumes a religious form; if on economics, as today, then an economic form. In both cases the impulse behind discontent is the search after freedom—in the one case freedom of belief, in the other freedom of trade. Since the World War there can be no question that trade, which is primarily a problem of consumption and not of production—because the producer exists only for the consumer—has been restricted by tariffs, war debts and reparations; and there can be no doubt that this restriction has given rise to universal distress, and consequently to universal discontent. Today no nation feels politically secure, because it is economically insecure. The result is that insecurity, reacting on the instinct of national preservation, at once begets armaments.

There are, of course, other causes, strategical, ethnographical, and so forth, but in modern times the economic cause is the predominant one. It was at the root of the American Civil War; it was at the root of the World War, and it is at the root of the armament problem today. If this is so, it follows that unless this cause of war is eliminated armaments will continue, and that as long as they do continue, fear will percolate through the nations and like a damp fog will rot every paper compact they choose to make. As long as the world resembles a gold-rush mining camp each nation will carry a gun on its hip, not because it fears any nation in particular but is fearful of all. Fear is the outer expression of greed, and greed is at the bottom of the present evil.

Assuming that we are agreed on this, let us proceed to the Assembly Room, or Glass House, as it is ap-

propriately called, at Geneva. The date is Feb. 2, 1932, and the first speaker before the conference on disarmament is Arthur Henderson, President of the conference. What did he say? He talked of fear and suspicion and of colossal expense. "Here," he exclaimed, "are the chosen spokesmen of seventeen hundred million people," &c., &c., and not one word about the causes of war, the only question which really mattered. Why did he thus act? There are only two possible answers to this question—the first is that he was ignorant of them, and the second that for some reason or other he wished to ignore them.

Here a slight digression is necessary. I believe that all nations are normally dishonest, that all are self-seeking, and that no single nation in any one conference held since the World War has dared to put its cards upon the table. At Geneva there may have been some honest and wise men—curiously enough the most frank and by no means the least knowledgeable I met there was Karl Radek, the Russian Bolshevist—but the bulk of those attending fall into two quite different categories—the emotional crank and the political crook. The second always outmanoeuvres the first, more particularly his theories, and always to his own political advantage.

The crank living in the clouds pays little attention to the causes of anything; consequently, his feet seldom touch the ground of facts. For example, in the issue of Feb. 1, 1932, of a paper called *Disarmament* published by the "Disarmament Information Committee" (Geneva), we read: "Disarmament is not merely necessary; it has become possible because most of the reasons which were made against it before the war have today disappeared." Here was the joker in the crank's deck of cards dropped from the clouds the day before the conference assembled, and each of the political crooks who as yet did not hold it grabbed it and hid it in his sock.

The conference having opened, I will now ask the reader to listen to the proposals of the leading nations:

France: To establish an international police force under the League of Nations, which should organize its command; to place all batteries of long-range artillery at the disposal of the League and to internationalize civil aviation.

Great Britain: To abolish gas, chemical and submarine warfare and prohibit or limit such armaments as would weaken attack and so remove temptation for aggression.

The United States: To abolish submarines, gas and bacteriological warfare, to restrict tanks and heavy mobile guns and all arms of a peculiarly offensive character, and to protect civilian populations against aerial bombardment.

Italy: To abolish capital ships, submarines, aircraft-carriers, heavy artillery, tanks, bombing aircraft and chemical and bacteriological warfare.

Japan: To limit the use of submarines, reduce the size of battleships and the tonnage of aircraft-carriers; to abolish bombardment from the air and the use of gas and bacteriological warfare.

Russia: Failing total disarmament, to abolish tanks, heavy artillery, warships over 10,000 tons, aircraft-carriers, military airships, bombing airplanes and chemical, incendiary and bacteriological warfare.

Why were these various proposals made? The answer is obvious—for national interests and not for international advantage. Each nation quite openly put forward what it wanted. Thus, France wanted to keep Germany disarmed and was afraid of German civil aviation; Great Britain wanted to return to her insular security of 1914 which was destroyed by the submarine; the United States wanted to avoid maintaining a large modern army during peace time and to weaken Japan; Italy wanted to weaken France

and restrict military mechanization because of her lack of coal and oil; Japan wanted to protect herself against the United States, and, lastly, Russia wanted to weaken all capitalist nations.

All these various wants may be catalogued under three main headings —a League army, qualitative disarmament and total disarmament. The first was never discussed; it was dropped like a hot coal; in fact it was put forward by France only because in the circumstances it was known to be an impossible proposal; the third was turned down by the conference, and the second, like a banana, was thrown into the monkey house of the smaller nations, forthwith to be trampled into an unrecognizable pulp. For example, what does the Dominican Republic suggest? "Considering that the League of Nations desires to spread among the childhood and youth of the countries of the world ideals of peace, fraternity and international cooperation, * * * the delegation of the Dominican Republic to the Disarmament Conference has the honor to propose that the conference should agree to recommend to all the countries here represented that they should agree to prohibit the manufacture of warlike toys" —tin soldiers!

Why was qualitative disarmament thrust into the monkey house? The answer is, because it was the most popular idea of the school of cranks led by Viscount Cecil of Chelwood. This one-eyed fanatic of peace, who a short time ago did his utmost to precipitate a conflict between the League of Nations and Japan, put forward his views on the disarmament problem at a gathering held at the Mansion House, London, on Jan. 14, 1932. They were based on the idea of enhancing defense and so weakening attack. What he wanted was the abolition of all weapons invented in recent years and a return to the military *status quo ante bellum.* Sir John Simon, the British delegate, placed this card on the table rather cautiously. He started off by saying that "armaments are the symptoms of a pathological condition," and then, apparently realizing that to follow up this argument would lead him on to that dangerous ground, the causes of war, he changed the subject and proposed "the outlawry by international agreement of certain weapons and methods of warfare." He said: "It seems to me that we are most likely to find these weapons and methods among the most recent developments. This is not only because it is the most recent lapses in habit which are the least difficult to eradicate, but because these new methods of warfare—the use of gas and submarines and of bombing from the air—all have this common feature, they tend to obliterate the boundary as drawn by Hugo Grotius * * * that as far as possible a distinction should be effectively drawn between combatant and non-combatant."

To the man in the street this may sound logical enough, but to any one who has studied the subject it is the veriest claptrap. First, the world has changed vastly since the days of the noted author of *De Jure Belli et Pacis* —written in 1625! Then the civil population took no part in war; now they play an essential part, because not only does war depend on the popular will, but directly war is declared the whole of each belligerent country is turned into an arsenal. In France, in 1917, 3,000,000 men were enrolled as soldiers and 1,700,000 men and women as munition workers. If in everyday life a civilian and a soldier enter into a compact to murder some one, and the civilian makes a knife and the soldier cuts the victim's throat, both will be tried for murder and, if found guilty, will be hanged. Secondly, as regards "recent lapses in habits," weapons do not change because soldiers want to change them; they change because civilization changes and they are compelled to change them. Thus, in the 1830s the

British Admiralty considered that steam power was a bad habit, so the utmost was done to prevent the construction of steamships, and we know the result. The truth is that you must either march with civilization or against her.

Now, while these futile proposals were thrust into the monkey house in order to give the smaller nations something to chatter about and so gain time for the greater ones to manoeuvre, outside the Glass House a political change of the first importance took place. By abandoning her free trade policy Great Britain annulled at one blow any hope of Germany's ever being able to pay reparations. France, realizing this, saw clearly that it was better to compromise on this question than to reduce Europe to a state of complete chaos; yet she was uncertain what to do.

Then, on June 22, came President Hoover's bombshell. He proposed that the armies and navies of the world should be cut down by one-third and that chemical warfare, all tanks, large mobile guns and bombing airplanes should be demolished. What was he aiming at? Nobody could be quite certain, but European statesmen are not slow in political analysis. They knew that this declaration was primarily an electioneering stunt; they knew that the American people had long been fed on the idea that if European nations could afford to spend thousands of millions of dollars on armaments they could afford to pay their American war debts; they saw in this proposal a possible bargain of—you forego your armaments and we forego your debts; but they did not dare say so, because the Presidential election does not take place until November. Then came the Lausanne Conference and something had to be done to meet the changed situation.

What exactly had been taking place behind the scenes, not in the Glass House but in the studies and the drawing rooms of statesmen? Since February three contradictory diplomatic manoeuvres had been in progress. The first was the French move to stabilize the treaty settlements; the second, Germany's aim to readjust the balance of forces so as to upset these settlements; the third, the attempt of the United States, in order to weaken Japan, to use the financial condition of Europe as a lever toward disarmament.

The stumbling block at Lausanne was not Germany but the United States. France, never prone to give something for nothing, but knowing that she would have to abandon reparations, was determined to obtain a *quid pro quo.* Great Britain, anxious about the American debts now that reparations were out of the question, was drawn more and more toward France, the result being the so-called Gentleman's Agreement, which simultaneously revived and changed the object of the Entente Cordiale. The old object was openly anti-German, the new occultly anti-American; not that France and Great Britain are hostile to the United States, but that they feel that if they stand together they will be in a stronger position to face the debt question than if they stand apart.

While this important debt alliance was being cemented at Lausanne, the Disarmament Conference at Geneva entered the last lap of its first stage, and on July 20 a gelatinous resolution based on President Hoover's proposals and the qualitative theory was adopted by forty-one votes against two, the two dissentients being Germany and the Soviet Union.

Thus, after six months' talking, round and round the point, what do we see? Not disarmament nearer a solution, in spite of the fact that reparations have been abolished, but a regrouping of the powers. There is now the French-British bloc, which faces the United States, and a possi-

ble German-Russian bloc, which will face France and Great Britain. In the offing is Japan, who is most unlikely to agree to a one-third naval cut, and so may be attracted toward France and Great Britain; and Italy, though still suspicious of the gentleman's agreement, is likely to veer in the same direction. The regrouping does not necessarily point toward war, but it most certainly does not point toward disarmament. In this month of July, in which I write, discontent is as deep-rooted as it was in February last, and worse still the causes of war, which are the causes of armaments, have been covered up and obscured by loads of crank rubble and crook garbage. Instead of pulling the rotten war-tooth out, the disarmament conference thus far has soothed the popular nerve with platitudinous hot air and, like a bad dentist, has filled in the cavity, decay and all. The result can only be a violent abscess. What should be done? May I, with all modesty, offer a suggestion?

Reparations have gone; this is one step forward, but its benefits have been somewhat discounted by Germany's glance toward Russia and Italy's glance away from France. Debts must go and tariff walls must be lowered, because both are daily accentuating discontent. These things, however, need not be discussed, because the international situation may once again have changed before this article is published. Instead, let me answer the question, What has the Disarmament Conference accomplished? and then suggest a road that has not yet been trodden.

The Disarmament Conference has failed ignominiously in its object, mainly because its leadership has been beneath contempt. For some ten years now, pact after pact has been signed, and each in its turn has been wrecked on the rocks of a definition—In war who is the aggressor? Nobody knows, and in actual fact nobody can know, because it takes two to make a quarrel, and throughout history attack has always been looked upon as the strongest form of defense. In the American Civil War who was the aggressor? In the Franco-Prussian war who was the aggressor? In the Russo-Japanese war who was the aggressor? So one might go on with practically every war, and with all the facts placed before them, it would be surprising if a jury of twelve impartial men were to arrive at a unanimous decision.

With this object lesson before it what did the Disarmament Conference do? It dragged the whole problem of armaments into the argument about aggression and attempted in vain to divide weapons into two categories—the offensive, or aggressive, and the defensive, or protective. This division being irrational, the conference discovered that this could not be done, and so looked around for another formula, attempting to divide weapons into more aggressive and less aggressive. What the conference really meant was modern and obsolescent; in other words, weapons of our post-war civilization and weapons of our pre-war civilization. It did not see that if the first were prohibited the second would become as aggressive as they were before the war. It did not see that even if the first could be prohibited by international agreement, this prohibition could not possibly prevent nations continuing to think in terms of them, and that, as long as they did so, this thinking would give rise to international suspicion, to an intangible in place of a tangible fear. What then should have been done?

The conference should have begun at the other end of the problem. It should have said: Until the causes of war are eliminated, which will take a long time, it is useless attempting to stop nations preparing for war, because even if they are almost disarmed they will fight if they want to fight, and fight most aggressively—look at

the American Civil War. It is mere waste of breath to attempt to define the aggressor, but it takes next to no breath at all to define who is the victor in a war and who is the vanquished. In 1865 the Confederates were beaten; in 1871 the French were beaten; in 1905 the Russians were beaten. Here then is an actual and historical fact to work upon. In place of outlawing war, in place of outlawing the indefinable aggressor and the indefinable aggressive weapon, the members of the Disarmament Conference should decide to outlaw the victor; in other words to make it internationally illegal for any victorious nation to gain any advantage out of a war. Should the victor occupy territories, he can no longer legally hold them, and should he demand reparations, they can no longer be legally paid. Further still, should any neutral nation desire to assist any one or all of the belligerents, legally it can do so only by direct subsidies, that is, by gifts; consequently all loans, credits and debts advanced or incurred are illegal and can be gathered only by illegal means.

It is not suggested that such a decision would end war but that it would tell heavily against aggression, because there always is an aggressor, but not possessing the wisdom of God we can seldom if ever discover him. Since the means whereby wars may be eliminated will still for a long time run in evil channels—until humanity is wiser and more honest than it is today—the problem of disarmament should be recognized as really that of choosing the lesser of two evils or more. Between February and July a Gordian knot of nonsense has been tangled up at Geneva; therefore, finally, I suggest that when the conference reassembles in order to continue its conquest of the world of war it should cut this knot by outlawing the results of war instead of its means. Had Alexander the Great remained in Phrygia picking at the knot of cornel bark tangled about old Gordius's chariot he would never have conquered the world of his day. The moral of this story is one which even a conference representing 1,700,000,000 souls might well consider. May it do so in the next round!

Germany Elects a New Reichstag

By SIDNEY B. FAY
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THE Reichstag election of July 31 was one of the most important political events in Germany since the establishment of the republic. It resulted in creating by far the largest single party delegation—the National Socialists with 230 seats—which has sat in the Reichstag since its creation by Bismarck in 1867. It wiped out not only many of the smaller parties, but also the remnants of the once powerful party (the National Liberals, or People's party) which had been the main Parliamentary prop of Bismarck and Buelow and which had been temporarily revivified by Stresemann. The election was something of an encouragement for the recently dismissed ex-Chancellor Bruening, since his Roman Catholic Centrists gained 10 seats, rising from 87 to 97. And a small shift in seats between the proletarian parties took place, the Communists gaining 13 seats, with 89 in place of 76, and the Social Democrats losing 10, with 133 instead of 143.

German national elections differ from those in the United States in several interesting respects. Instead of taking place on a fixed weekday in November they are held within sixty days of the expiration or dissolution of the last Reichstag, and are always on Sunday, which makes it possible for the workingman to cast his ballot without losing time at the factory. The Germans seem to take an even greater interest in their elections than we do. At any rate, a higher percentage of the electorate turns out to vote. In the first Presidential balloting last Spring, when Hitler and von Hindenburg were the two chief candidates, 86.2 per cent of the electors went to the polls, the largest quota ever reached. In the Reichstag election of 1930 81.3 per cent voted. In the recent Reichstag election, out of a possible total of about 43,700,000 voters, 36,800,000 cast their ballots, or about 84 per cent.

The most striking difference, however, is that while in the United States we have only two major parties and three or four minor ones, Germany has had half a dozen major parties and more than a score of minor ones. This is partly due to the varying economic and political interests of the different social classes and to the widely varying historical character of the different territories which were welded by Bismarck into a single State. It is also partly due to the German love of philosophy and pet theories. The German voter is likely to be intensely devoted to a single political idea or group of ideas, which must be represented by a separate party. He (or she) is unwilling to make political compromises to form a broad political platform, as do the Anglo-Saxons. It is proverbial that when three Germans are gathered together they represent four different political opinions. German party platforms are therefore more narrow, concrete and sharply defined than with us. Each party has its own very definite party newspapers to propagate its views. Party organization is tighter than in the United States and the control of the party over its representatives in the Legislature is stricter. If a Reichstag Deputy, for instance, disregards his party caucus and bolts the party in a Reichstag vote he may be expelled from the

party and be virtually forced to resign his seat, his successor being appointed by the party organization. People vote for party principles rather than for individual candidates.

The size of the Reichstag is not, like that of our House of Representatives, fixed by law, but varies with every election according to the number of votes cast. Under the peculiar German electoral system, a party in order to obtain any representation in the Reichstag, no matter how many votes may be cast in its favor, must poll at least 60,000 votes in some one of the thirty-five electoral districts. That gives it a "mandate." When it has attained a mandate all the votes cast for it in all the districts are metaphorically thrown into one common pot, and it receives one seat for every 60,000 cast in its favor. All the votes left over beyond these multiples of 60,000 are wasted. The Deputies who are to fill the party seats are chosen after the election by the committee of the party from among its candidates. To insure having enough to choose from, the party nominates a list far in excess of the number of seats it hopes to win. Thus in the Reichstag there is no member representing Potsdam or Dresden or Heidelberg, as in the United States there is a member of Congress representing each Congressional district. There are only members of parties, and they represent principles rather than places.

The effect of this system in the recent election, according to figures available at the moment of writing, has been to produce a Reichstag of 607 members in place of the 577 elected in 1930. It has also had the effect of extinguishing at least half a dozen small parties that between them had fifty seats in the old Reichstag, indicating that they polled at least 3,000,000 votes in 1930. They have disappeared not because they have failed individually to poll a considerable vote, but because they have not succeeded in assembling a total of 60,000 in some one single electoral district, and have therefore failed to obtain a mandate. This result has on the whole been beneficial, for the curse of German politics has been its almost innumerable parties. But the benefit will accrue to the Right rather than to the Left. In cases of extinguished parties of Left tendencies the votes cast for them are lost, but those of Right complexion gave notice before the election, as permitted under German law, that if they failed to obtain mandates themselves the votes cast for them were to be credited to Dr. Hugenberg's Nationalists. The Nationalists thus benefited by some 500,000 votes and did not lose as many seats as would otherwise have been the case.

The last days of June and the early part of July were marked by a shocking number of fatal political riots, chiefly between the Hitlerites and the Communists. On one Sunday alone, July 17, seventeen persons were slain and some two hundred seriously wounded. During the three weeks following the removal of the ban on the Nazi brown shirt uniforms on June 29 (see August CURRENT HISTORY, pages 603-605) it was estimated that Germany's death toll in political affrays had been more than 100, including policemen and bystanders, with about 1,125 injured. As usual, the Nazis (Hitler's National Socialists) claimed that the Communists and Social Democrats, "Moscow's gunmen" and "godless internationalists," were the aggressors. The two Left parties replied that the anti-constitutional National Socialists, with their provocative military demonstrations and their Jew-baiting, were responsible. The truth is hard to establish; probably in a majority of the clashes the provocation lay with the Nazis. In one of the most serious cases, for example, at Altona on July 17, the Nazi troops insisted on marching in formation with their brown shirts through the working-

class districts in a way that was bound to incense the radical workers, who regard the Fascists as the deadly enemies of the labor movement. The Nazi parade was fired at by Communists from windows and housetops. A riot developed. Barricades were thrown up in spite of the police. Eventually five persons were picked up dead in the streets and seven died in hospitals from their wounds.

The situation became so serious that the Social Democrats appealed to President von Hindenburg to put an end to the Fascist civil war and to reimpose the ban on the brown shirt demonstrations. This was done by Chancellor von Papen in a Cabinet order on July 18. At the same time the Hitlerites complained to the government that the police in Prussia, where most of the fatal clashes had occurred, were unable or unwilling to keep order and give protection to peaceable citizens. Accordingly, on July 20 President von Hindenburg issued a degree under the emergency clause of the Constitution appointing Chancellor von Papen Federal Commissioner for Prussia, with full authority to depose its acting officials. A Federal Dictator thus ousted the Prussian Premier, Otto Braun, and the Prussian Minister of Interior in charge of the police, Dr. Karl Severing, both Social Democrats. They protested, but in vain. In a supplementary order President von Hindenburg decreed a state of emergency under military rule for Berlin and the province of Brandenburg, placing both areas and their police forces under the jurisdiction of the Reichswehr, or Federal Defense Army. Severe penalties were imposed for all incitements to disorder. The duty of administering these executive decrees was eventually turned over to Dr. Franz Bracht, formerly Mayor of Essen. By these vigorous measures the Federal Government maintained tolerably good order until the election on July 31. The election itself, however, did not pass off without serious conflicts. Most of them were quickly checked by the police, who controlled the situation everywhere. But ten persons were killed in three-cornered fights among the Nazis, the Communists and the police in various parts of the country.

The result of the election for the larger parties, comparing the popular vote and the seats won in 1932 and 1930, may be seen from the following figures. The parties are arranged in the order in which they sit in the Reichstag, beginning with the extreme Right and ending with the extreme Left:

Party.	1932 Vote.	Change From 1930.	Reichstag Seats. 1930.	Reichstag Seats. 1932.	P. C. 1932.
National Socialist	13,732,779	+7,352,314	107	230	37.1
Nationalist	2,172,941	— 284,631	41	37	5.9
*Small parties	1,561,888	—3,637,241	102	17	4.6
†Centrist	5,776,954	+ 591,238	87	97	15.6
State (or Democratic)	371,378	— 950,650	20	4	1.0
Social Democratic	7,951,245	— 624,454	143	133	21.5
Communist	5,278,094	+ 687,641	76	89	14.3
Totals	36,845,279	+1,887,473	577	607	100.0

*Includes the German People's party, Agrarian People's party, Christian Socialist party, Wuerttemberg Peasants' party, German Peasants' party, Economic party and some other small groups.

†Includes the Bavarian People's party, which regularly votes with Bruening's Roman Catholic Centre party, though having a separate organization and somewhat more conservative tendencies.

Though the election had a very marked effect upon the size and fate of several of the parties, it unfortunately did not clarify definitely the confused political situation. No party, nor any combination of parties which

were willing to cooperate, was able to secure a working majority in the Reichstag from which a Cabinet could be formed to replace that of von Papen, who would have no assured parliamentary support. Von Papen himself belonged formerly to the Right Wing of the Centrists. But he was excluded from the party when members of the present Cabinet helped to bring about the dismissal of Bruening, the Centrist leader. Von Papen therefore could only look forward to stormy prospects when the Reichstag should meet. There were rumors, probably without serious foundation, that he would postpone the meeting beyond the thirty days after election which is the constitutional maximum period within which the new Reichstag must be called together. There were other rumors that he would allow it to meet, but that if it voted no confidence in him or refused to approve his measures he would adjourn it through President von Hindenburg's emergency powers, as Bruening had done.

The National Socialists made the most substantial gains. They nearly doubled their popular vote and more than doubled their Reichstag representation, receiving 230 seats, or 37.1 per cent of the total. But this, of course, did not give them a majority. Even in combination with the Nationalists, they could gather only 43 per cent of the votes in the Reichstag and could not claim a majority. In a sense, therefore, the election was a check to the aspirations of the Hitlerites, as they failed to make good their proud boast that they would be able to take over the government at once after the election.

No other parties were willing to form a combination which would assure them a majority. The Centrists, who have frequently enjoyed the balance of power in the Reichstag, joining with parties to the Right or the Left, refused to enter a Cabinet with the National Socialists. The so-called Weimar parties, consisting mainly of the Social Democrats, the Centrists and the Democrats (or State party), who made the present Weimar Constitution and who have been in control much of the time since 1919, were also unable to form a majority combination in view of the gains made by the National Socialists.

In these circumstances there was a choice of four methods that might be adopted to secure a Cabinet with a working majority. All four were vigorously discussed in the days following the election.

The first was that the von Papen Cabinet should stay in office as a kind of "Presidential Cabinet" consisting of strong and efficient administrators who were known to have the support of President von Hindenburg. The old idea of trying to select a Cabinet from the various parliamentary groups, thus supposedly binding each group to support its joint measures, would be discarded. Nevertheless, the old constitutional forms would be maintained. Whenever the government needed parliamentary authority for its act, it would go before the Reichstag and hope to obtain it by consulting in advance with the leaders of the major parties and by standing on its record of giving the country a peaceful, economical and efficient administration. It would justify itself by the evidence it was giving of the way it was relieving the country from economic depression and from some of the humiliating conditions imposed on it by the Treaty of Versailles. It was no doubt with this partly in view that General von Schleicher made his now famous radio speech demanding "equality" for Germany in the matter of armaments, referred to later. In short, the Cabinet would regard its function primarily as an administrative one, representing the President rather than the Legislature, somewhat as in the American system of government. It would have no distinct Reichstag majority on which to de-

pend. It would meet its problems as they arose by metaphorically crossing each bridge as it came to it, relying on the patriotism and good sense of the party legislators to approve what it found to be necessary for the well-being of the German people. This was the procedure which at first seemed likely to find favor. It meant a strong shift in the conservative direction—"Back to Bismarck," as some of the newspapers expressed it—but it did not mean a dictatorship.

A second procedure was that the von Papen Cabinet should resign and hand over the Chancellorship to Hitler, who would form a Cabinet of National Socialists and Nationalists. This was demanded by many of Hitler's followers. It was advocated by the Centrist newspapers and by others opposed to the National Socialists, for they felt that if Hitler assumed power he would not be able to keep it for long. With the actual responsibility of government in his hands he would necessarily have to moderate his attitude. He would be unable to fulfill the lavish promises which he has made to his followers, who would consequently be disillusioned and begin to fall away from him. In short, the quickest way to weaken him would be to force him to reveal the emptiness of his promises and to acknowledge himself a failure to those whom he has led to expect that he would bring in the millennium of the "Third Reich." But Hitler himself appears to have been somewhat wary of falling into this dangerous position. And it is understood that President von Hindenburg was opposed to this plan.

A third suggestion was that von Papen should keep the Chancellorship himself, but make room in the Cabinet for some Centrist and National Socialist party leaders to assure a majority in the Reichstag. But this suggestion appears to have been abandoned, because Bruening would not share responsibility with the Nazis, and because Hitler is said to have demanded the Chancellorship for himself and more Cabinet portfolios for his followers than von Papen and von Hindenburg deemed prudent.

The fourth solution put forward was that Hitler should be allowed to have the Chancellorship and bring three or four of his followers into the Cabinet with him, but that he should not be entrusted with the complete and unrestricted power. Several members of the existing Cabinet would remain in office as a check upon him. Von Papen might remain, perhaps as Vice Chancellor. General von Schleicher, remaining as Minister of Defense in charge of the army, would be a guarantee that constitutional forms and domestic peace would be preserved, as President von Hindenburg so much desires. It would be something of a "Presidential Cabinet," like that suggested above, except that it would have more of a National Socialist complexion than the von Papen Cabinet. General von Schleicher and President von Hindenburg would see to it that no revolutionary schemes dangerous to the republic were attempted. But at the same time Hitler would have the opportunity of trying to put into practice the program that has made such an appeal to so many millions, especially to the youth of Germany. It would be a Cabinet which would adopt new methods instead of trying to muddle along by tinkering with old ones.

There is little doubt that whatever solution is reached in the present Cabinet crisis, the result will be a swing over from liberalism as it is understood in Western parliamentary democracies. This does not mean that there is any serious likelihood of the restoration of monarchy or the establishment of fascism. Hitler does not have in him the stuff of which a Stalin or a Mussolini is made, nor are the conditions in Germany like those in Russia or Italy.

The effects of the election on political parties also indicate a further step

in the swing away from liberalism which has been taking place in Germany in recent years. Of the three distinctly liberal parties two suffered definite losses, the Social Democrats falling from 143 to 133 and the State party from 20 to 4. The third liberal party—Stresemann's People's party—was wiped out completely. There is no need to fear that the Social Democratic party will ultimately suffer the same fate, for it is strongly supported by the well-organized and powerful workingmen's trade unions, but it is a source of weakness for the Social Democrats that their membership is more largely made up of old and middle-aged members than is the case with the other parties. They have not succeeded in recruiting their share of the youth of Germany. The younger men and women who have suffered from the effects of the war and the Versailles treaty, for which they were not responsible, have followed in increasing numbers the call of Hitler for a new deal.

The anti-liberal parties, on the other hand, have increased in strength. Modern liberalism means democratic government through the medium of party organization, popular elections, public discussion and parliamentary representation. The two chief anti-liberal parties are the National Socialists and the Communists. Though they hate each other bitterly, both have had as their avowed fundamental objectives the abolition of parliamentary system and its replacement by a government fashioned more or less after that of the Italian Fascists or that of the Bolsheviki. To be sure, both parties temporarily adopted parliamentary tactics and have taken part in German elections as a means of increasing their power. But will they succeed in accomplishing their ultimate program of establishing some sort of a dictatorship? It seems hardly likely. They are too much opposed to one another in their ideals and social make-up and have assassinated too many of each other's members ever to be willing to join hands against the present republic. Either, acting alone, would hardly be able to overthrow it. The Communists, though allied theoretically with Moscow, have never received any effective aid from the Bolsheviki. Russia is too intent upon the Five-Year Plan to jeopardize it by becoming involved in a German revolution and a possible European war. Stalin, in fact, has so cast off the German Communists that they have become more of a local and national German party than a branch of an international organization. Moreover, the German Communists are weakened by internal conflicts and by a total lack of able leaders.

Hitler's National Socialists are of course far stronger and not at all dependent on foreign aid. They enjoy the support of the great mass of the German youth and of a considerable part of the ruined middle classes. But their leader is generally recognized as more of a demagogue than a statesman, as a man who has been extraordinarily successful in attracting votes by his vague promises, but who is probably lacking in ability to give reality to his promises. Moreover, as he has gained in power, he has become steadily more moderate in his program. And, finally, he must reckon with the sturdy and still popular figure of President von Hindenburg and with the underlying German traits of patience and common sense. So the swing away from liberalism is not likely to lead to reactionary or radical revolution but to a more conservative evolution, in which respect for authority and order, efficiency and a strong sense of duty—old Prussian characteristics—will be paramount.

During the election campaign the German demand for "equal rights" in the matter of armaments was not forgotten. In fact, the conference at Geneva gave it considerable impetus, for at last, after thirteen years, there

seemed to have come the long-desired opportunity to achieve something definite toward ending the humiliating disparity between Germany's limited armaments and the enormously larger and unrestricted forces of her neighbors. This might have been done in either of two ways.

The first was for the conference to agree upon a substantial reduction in all armaments except those of the defeated powers, which are already rigidly limited by the peace treaties. This would have accorded with the professed aims of the great majority of the delegates and been in line with what the Germans feel was virtually promised to them in 1919 by two clauses in the Treaty of Versailles itself.

Yet for thirteen years, apart from some agreements for the limitation of naval forces and except for the endless deliberations of commissions, the Germans found that practically nothing had been accomplished by the victorious powers toward the fulfillment of the implied promise to initiate a general limitation of armaments. Hence Germany's interest in the disarmament conference. She sent a large delegation and energetically supported all proposals which looked toward a substantial reduction of the armies, navies and air forces surrounding her. She welcomed especially President Hoover's plan for a sweeping cut of roughly a third in existing armaments as well as the British proposals for a limitation based on the principle of abolishing weapons supposed to be primarily "offensive" rather than "defensive"—precisely the weapons forbidden to Germany, among other limitations, by the Treaty of Versailles. But after nearly six months of interminable discussions, of the examination of the most varied proposals and of conflicting reports of technical experts, the conference adjourned without agreeing on any such substantial reduction as Germany had hoped for.

Seeing that this was to be the case, Germany refused to vote for the resolution embodying such general principles as the conference had adopted. Instead, she resorted to the second way of obtaining "equal rights"—by virtually demanding a removal of the arbitrary restrictions imposed by the Versailles Treaty. Unless Germany were given "equality with regard to national security and the application of all the provisions of the treaty," Count Nadolny solemnly informed the conference on July 22, Germany could not consent to take part in its sessions when it reassembles next January.

It was just three days before the Reichstag election that Germany's views on the subject were further emphasized in a shrewdly worded radio address by Lieut. Gen. Kurt von Schleicher in Berlin. As he is Minister of Defense and is generally regarded as the most powerful personality in the Cabinet, his address was widely and enthusiastically commented upon by the German press and is reported to have led to a diplomatic protest from the French Government. General von Schleicher did not mention the naval or air forces, but confined himself to the question of land forces. He spoke of the limitations on the size and nature of the German army in contrast to the large French army and the powerful string of fortresses which France was building along the border. He did not intimate that Germany wanted for a moment to increase her army to be equal in size to that of France. However, if she failed to achieve equality through disarmament by others, she would "reconstruct her defensive forces, so organizing them as to secure her certainty of security." [Other matters that claimed attention in Germany concurrently with the election are dealt with on pages 738-740 of this magazine.]

The Rise and Fall of Prohibition

By Louis M. Hacker

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THE adoption of prohibition repeal planks by the Republican and Democratic conventions opens the penultimate chapter of what future chroniclers of American manners will undoubtedly concede to be one of the most surprising series of events in American annals. From that day in the Winter of 1913, when the Anti-Saloon League decided to bend all its energies toward the establishment of nation-wide prohibition, until the Summer of 1932, when both major political parties openly confessed that prohibition had been a failure, the whole question was never for a single instant debated on its own merits.

What chances for success would the Federal Government have in entering on a gigantic endeavor to regulate the personal habits of a heterogeneous, wide-flung population, living under varying economic and social conditions and still guided, in many regions, by Old World traditions? Was the consumption of alcohol actually an uncivilized practice which never could be disciplined? Was it impossible to convert the saloon into a decent social meeting place where, under proper restraints, conviviality could be encouraged without real economic and physical harm to its frequenters? These questions were never canvassed properly during the period of the agitation for and the trial of nation-wide prohibition. Instead, its friends and foes alike permitted themselves to be guided by considerations alien to the whole debate. Prohibition was permitted to stand—and fall—on the strange circumstances we are about to detail.

Despite the fact that bone-dry prohibition existed in but a handful of States, and its benefits had not been indubitably established, the organized dry forces began in 1913 to press for the outlawing of the liquor traffic everywhere on the ground that the virtues of prohibition could never be conserved so long as wet areas existed to contaminate the dry. When the Eighteenth Amendment was sent to the State Legislatures in December, 1917, for their acceptance or rejection, ratification was demanded on the ground of wartime necessity—the release of cereals, labor and capital from the brewing and distilling industries would help America win the war.

During the 1920s, although the enforcement machinery was never able to function and the American public almost generally showed a studied contempt for the law by making, buying and consuming alcoholic beverages in large quantities, and although there sprang up a new commercialized liquor traffic that was even more corrupting in its influences than the old, the experiment was permitted to continue on the ground that it was in some way linked with the prosperity of that golden decade. Prohibition, most leaders of American public and business life felt, was by and large a good thing. By keeping the American workingman sober it helped to increase his productivity in factory and mill; by closing the saloon, it stopped the chief drain upon his purchasing power and permitted the accumulation of surpluses for the acquisition of all those articles the new machines were turning out in such profusion—house-

hold electrical appliances, automobiles, radios. The ending of one form of leisure-time activity, that is to say group drinking, allowed for the development of a host of others that were at the same time economically desirable—the patronage of moving-picture theatres, automobile travel, the playing of auction bridge and other home games.

But after the onset of the depression of 1930 these same leaders changed their minds, again prompted by considerations foreign to the question of prohibition itself. The restoration of the liquor industry might start a revival of business by opening new channels for capital investment and by absorbing a part of the large agricultural surpluses of the country. Certainly it would permit the development of new sources of revenue for hard-pressed national and State governments. These, in large part at any rate, were the motives that led to the demand for nation-wide prohibition in the United States, its adoption and then the steps taken toward its abandonment. The working out of the experiment itself was no less curious in many of its more important aspects.

Rash wets occasionally have been moved to make the charge that prohibition was imposed on an unsuspecting nation by a highly geared propaganda machinery, but the truth is considerably less sensational. Indeed, almost from its very origins, the American nation has experimented with one form or another of liquor control, either in the interest of taxation, the development of habits of temperance or the outright outlawing of the commercial liquor traffic. On State statute books there have been high license and local option laws, measures fixing rigorous closing hours for saloons and the barring of the sale of alcoholic beverages to certain types of persons, the establishment of a State dispensary system (in South Carolina) and even bone-dry State prohibition.

Beginning in 1846, American Commonwealths experimented with Statewide prohibition, and while enthusiasm soon spent itself and codes were either nullified or repealed, the following eight decades always saw at least one State in which the manufacture, transportation or sale of distilled or fermented liquor was banned. In the ten years following 1846, thirteen States adopted prohibition; a second wave of reform swept over Western States in the decade of the 1880s; with the triumph of the white masses in the South, in the first years of the twentieth century, another group of States was added to the roll.

By 1913, when the Anti-Saloon League decided that the fight had to be waged on both national and State fronts, there were nine States which had banished the saloon and prohibited the liquor business. In thirty-one other States local option laws existed. Besides, the saloon had been abolished on military reservations and in the navy, while the transportation of liquor into dry areas had been forbidden by the Webb-Kenyon law. The Anti-Saloon League had plausible grounds for claiming that fully one-half of the American people and almost three-fourths of the continental area were enjoying the blessings of prohibitory laws.

The Anti-Saloon League, organized in 1893, drew its support almost entirely from evangelical Protestant churchgoers in the country sections and those urban congregants who had been brought up in rural America. It was firmly convinced that the liquor traffic and the saloon were the two chief corrupting forces in American life, and so it dedicated itself to an unending war in the cause of legalized abstinence. The league quickly learned the methods of organized business and politics. It established itself on a national basis, created a well-paid, permanent officialdom, built up a body of regular dues-paying members, went into the publishing business on a

gigantic scale and began the application of a constant pressure on all seekers after public office.

The singleness of purpose and the concentrated form of attack of the league merit the close study if not the admiration of all students of the democratic process. The saloon was the arch foe—it demoralized society, was at the root of poverty and disease, tainted public life, and it was not susceptible of reform. Again, public officials, whether friends or foes of the laboring and agrarian interests, whether imperialists or not, whether they approved or disapproved of the concentration of wealth and large corporate activity, were acceptable to the league solely in relation to their stand on the liquor question. If dry, behind them the league sought to mobilize its great group of adherents; if wet, they were to be driven out of public life. At the height of its career the Anti-Saloon League was sending its literature to more than 500,000 persons; it had, besides the national organization, branch societies in some thirty States; and the national body alone was spending more than $2,000,000 annually.

After the inauguration of its new policy in 1913 the Anti-Saloon League waged the fight in the States and nation with even greater vigor. It met with an unprecedented success. Not only did it obtain a majority for a prohibition resolution in the House of Representatives in December, 1914, it also won victory after victory in State Legislatures, gaining five new States in 1914, and adding five in 1915, four in 1916 and three in the early months of 1917. On the eve of America's entry into the World War there were therefore twenty-six States living under the dry dispensation.

It would be a mistake to infer that the laws of these Commonwealths were uniform in their denial of the manufacture, transportation or sale of alcoholic beverages. As Charles Merz has so carefully pointed out, only "thirteen of them—on the whole, the least populous thirteen, containing less than 15 per cent of the country's population—had adopted bone-dry laws. But the other thirteen, including such populous States as Michigan, Indiana, North Carolina and Virginia, permitted and made entirely legal, in one form or another, the acquisition and use of intoxicating liquor." To cite but one example, the law in Virginia provided that once in every thirty days "one quart of distilled spirits or three gallons of beer or one gallon of wine may be brought to any person not a student at a university, college or any other school, nor a minor, nor a female (not the head of a family) for his own use." To quote Mr. Merz again, "this was not bone-dry prohibition, but a moderate system of control." It must be apparent that prohibition had not yet swept the country; the road to final victory was still beset by probably insuperable obstacles.

The World War changed the situation miraculously. In the interests of a full war effort, Congress, in May, 1917, prohibited the sale of liquor to soldiers; in September of the same year the food control bill prohibited the manufacture and importation of distilled liquor for beverage purposes and permitted the President to reduce the alcoholic content of beer and wine and to limit, or prohibit, if need be, their manufacture. The agricultural act of November, 1918, prohibited the manufacture of beer and wine after May 1, 1919, and put a stop, for the duration of the demobilization process, to the sale of all liquor after June 30, 1919. Meanwhile, however, Congress had capitulated to the dry forces.

The patriotic arguments advanced by the Anti-Saloon League and its legislative friends were indeed impressive. The liquor industry represented an investment of more than $1,000,000,000. Could not this great accumulation of capital be more usefully applied? The industry employed many

thousands of skilful and able-bodied workers. Were not their places properly in the ranks of those who, on the battlefront, in the factories and shipyards, were fighting the common enemy? Fully 100,000,000 bushels of grain and 150,000,000 gallons of molasses annually were entering into the manufacture of alcoholic beverages. How better win the war than by conserving these foods for our soldiers and those of the Allies? Finally, most of the brewers in the United States were of alien-enemy birth or descent. As one of the Anti-Saloon League periodicals expresed it, "German brewers in this country have rendered thousands of men inefficient and are thus crippling the Republic in its fight on Prussian militarism." In the light of such a plain emergency, it is scarcely surprising that neither house of Congress entered into more than a perfunctory debate when a resolution calling for the submission of a prohibition amendment was placed before it.

On Aug. 1, 1917, the Senate adopted the resolution incorporating the Eighteenth Amendment by a vote of 65 to 20; on Dec. 17, 1917, the House followed, its vote being 282 to 128. On Jan. 8, 1918, a bare three weeks after the Congressional action, the Mississippi Legislature ratified the amendment. In less than fourteen months the requisite thirty-six States had fallen into line and prohibition was not only the law of the land but was firmly fixed in the Constitution. In time, ten other States were to ratify, leaving but Connecticut and Rhode Island outside the goodly company. So well had the war-time pressure and the Anti-Saloon League done their work that more than 80 per cent of all the members of the forty-six State Legislatures had voted for the amendment; in Kansas, Utah, Wyoming, South Dakota, Idaho and Washington the vote had been unanimous in both houses; only in New York, Pennsylvania and Illinois had there been opposition of a serious nature. On Jan. 16, 1920, the Secretary of State proclaimed the Eighteenth Amendment as being in effect.

Sections 1 and 2 of the prohibition amendment read:

> 1. After one year from the ratification of this article, the manufacture, sale or transportation of intoxicating liquors within, the importation thereof into, or the exportation thereof from the United States and all territories subject to the jurisdiction thereof for beverage purposes is hereby prohibited.
> 2. The Congress and the several States shall have concurrent power to enforce this article by appropriate legislation.

In line with these injunctions, Congress enacted, over President Wilson's veto, on Oct. 28, 1919, the national prohibition act—known as the Volstead act, after its sponsor in the House. The terms of this measure gave small comfort to the wets. It defined as an intoxicating liquor all beverages containing more than one-half of 1 per cent alcohol, placed under severe regulation the manufacture and sale of alcohol for industrial, medicinal and sacramental purposes, provided for the denaturing of alcohol to prevent its conversion into drink, allowed the production of high-proof beer, but stipulated that its sale could take place only after it had been dealcoholized, and ringed around with formidable licensing restrictions every conceivable phase of the remaining legitimate liquor industry. In the ensuing decade the statute was amended or added to on four different occasions; in one important particular it was strengthened to circumscribe the activities of physicians, druggists and shippers of alcohol, while in another the penalties for the criminal infringement of the law were made harsher.

The creation of an adequate enforcement machinery presented difficulties never before encountered by Federal officialdom. The first prohibition unit, with a commissioner as its head, was organized as part of the Bureau of Internal Revenue of the Treasury Department. In 1925, a di-

rector of prohibition was appointed to serve with the commissioner; and in 1927 the two offices were consolidated. Because the Customs Bureau and the Coast Guard also developed duties relating to enforcement, the three agencies were placed under the supervision of an Assistant Secretary of the Treasury. Workers in these offices labored with the gargantuan tasks of detecting and apprehending offenders, licensing and controlling manufacturers and vendors of alcohol, inspecting breweries and supervising the dispensing of liquor for medicinal and sacramental purposes. In addition, the prosecution of offenders fell to the United States attorneys and the Federal courts were called upon to furnish the needed tribunals. To make confusion worse confounded, the prohibition unit quickly became a football of politics with the result that its heads, its agents and even its policies were at the mercy of every idle political breeze that swept over Washington. Darkest error of all was the failure to place appointments to the service on a merit basis.

It has been contended that the chief reason why public acceptance of the amendment made a bad start was the low calibre of the enforcement personnel. There were certainly outward signs that this was true. The bribery and corruption of prohibition agents and the continual intercession on behalf of favored party workers by local political leaders were not only generally assumed to exist but were proved by the extraordinary turnover figures. Thus, from 1920 to June 30, 1930, there were 17,972 appointments to the service, 11,982 separations without prejudice and 1,604 dismissals for cause. But at no one time were there more than 4,300 employes in the unit and the enforcement group itself never consisted of more than 2,836 men. In 1927 a degree of order and efficiency was established when the so-called Prohibition Bureau was separated from the office of the Commissioner of Internal Revenue and the enforcement staff was brought under civil service regulations for the first time. Three years later Congress finally heeded the dictates of reason and transferred all prohibition activities proper from the Treasury Department to the Department of Justice. Apparently, however, public confidence had been completely destroyed or—what is more likely—it had never really existed. Certainly, observance of the law, following these changes, was no more apparent than before.

Whether the enforcement officers were honest or not, their methods of operation were not such as to gain the sympathy of intelligent persons. The failure of highly advertised drives in the large cities to achieve any appreciable results, the inability to apprehend or punish the powerful individuals behind the large bootlegging operations, the padlocking of premises as a form of punishment meted out often to innocent landlords, the spectacular prosecution of physicians and druggists for minor offenses, the vacating of the licenses of manufacturers of industrial alcohol, the trapping of witnesses, the use of poisonous denaturants which often resulted in sickness and sometimes in blindness and death, the inauguration of a system of "bargain days" in the courts whereby offenders were invited to enter pleas on the promise of light punishment—these were tactics not likely to inspire confidence.

But if the personnel of the Prohibition Bureau was inadequate and the Federal appropriation placed at its disposal pitifully small—it was not quite $15,000,000 in 1930—it was also plain that Congress, though voting dry by impressive majorities, was quite wet as far as any interest in overhauling the enforcement law was concerned. It steadfastly refused to expand the size of the service to match the conditions presented; it would not place the manufacturers

of cereal beverages under proper surveillance; it would not permit the search of American ships on the high seas; it would not allow the confiscation of industrial alcohol not complying with the permits of their manufacture; it refused to grant authority to search private dwellings in an effort to ferret out illicit stills.

In short, the enforcement machinery has never been effective and Congress, during the whole period that the amendment has been in operation, has never adopted effective steps to make it so. Whether because of bureaucratic ineptitude, Congressional timidity or indifference, or the sheer impossibility of making the country dry, the fact remains that from 1920 to 1932 nobody has had the slightest difficulty in obtaining readily all the liquor that could be desired, and at comparatively reasonable prices.

From the beginning of enforcement it became apparent that the flow of liquor could not be checked. The first source of illicit drink was created by the diversion of industrial alcohol. To prevent such misuse the effort was made to control production by a system of basic permits, through limitation of the annual quantity, and by compelling the use of denaturants. But the situation was never in hand. Between 1916 and 1929 the legitimate manufacture of industrial alcohol increased threefold; a traffic in permits rapidly developed; and, as it was soon realized, there was no denaturant, no matter how skillfully devised, that could not be made to yield ultimately to a "renaturing" process.

Liquor imports, largely from Canada, constituted the second source of illicit supply in the early days of enforcement. Using high-power cars and trucks, specially devised motor boats and even airplanes, rum-runners were able to smuggle great quantities of liquor across the Northern border. Improved policing along the Canadian frontier was of no particular avail because the liquor was then shipped to the islands of St. Pierre and Miquelon, the Bahamas, British Honduras, Mexico and the West Indies and in turn introduced into the United States by means of fleets of vessels anchoring off the Atlantic and Gulf of Mexico coasts. Smugglers found no great difficulty in shifting their bases of operations; "rum rows" were hard to break up; and new treaties with foreign powers permitting the right of search within one hour's steaming distance from the coastline did not materially affect the situation. It was not until 1930 that some improvement took place when the Canadian Government decided to prohibit the withdrawals of liquor for direct exportation to the United States. These two were minor though steady places of leakage; other less important sources contributing their share to make up the illicit trade were the unlawful production of wines, the diversion of medicinal and sacramental liquors and the home brewing of beer.

By 1926, however, there had developed two sets of agencies with which the enforcement machinery found it quite impossible to cope. These were the illicit still and the illicit brewery and from them flowed most of the alcoholic beverages being consumed in the country. The illicit still, in particular, with its ability to produce cheaply and simply—and with comparatively no risk to its operator—large quantities of good spirits turned out to be the Achilles heel of prohibition. In 1929, Federal agents seized six times as many stills as had been condemned in 1913; and yet production went on unceasingly. Writing in 1931, the Wickersham Commission was compelled to record: "With the perfection and discovery of new methods of distilling alcohol, the illicit distillery has become for the time being the chief source of supply. In consequence * * * a steady volume

of whisky, much of it of good quality, is put in circulation at cheap prices * * * The improved methods, the perfection of organization, the ease of production, the cheapness and easy accessibility of materials, the abundance of localities where such plants can be operated with a minumum risk of discovery, the ease with which they can be concealed and the huge profits involved, have enabled this business to become established to an extent which makes it very difficult to put to an end."

The chief factor in the development of illicit distilling was the appearance of new and cheap raw materials, notably corn sugar, but also cane and beet sugar, molasses, corn meal and other grains. For example, without any conceivable reason, as far as legitimate industrial needs were concerned, the production of corn sugar in the United States grew from 157,276,442 pounds in 1919 to 896,121,276 pounds in 1929.

The illicit production of beer, while a little more complex in its methods of operation, also increased by leaps and bounds. On this source of supply the Wickersham Commission reported: "Abuses in the prodution of cereal beverage grow chiefly out of the method whereby large quantities of beer are stored at all times, affording many opportunities for it to get into circulation without having been dealcoholized. Employes, whether with or without the authority or connivance of the employer, have only to put a hose to a tank, fill cereal beverage kegs with real beer, and send it out as cereal beverage. The practice has been hard to detect and has at times been a prolific source of unlawful beer."

Other contributing agencies were so-called wildcat and alley breweries, the former making real beer without troubling to take out permits and the latter manufacturing the drink from "wort" or cooled boiled mash to which the addition of yeast produced a very fair alcoholic beverage. The beer traffic was particularly hard to break up because, lending itself to large-scale organization, it was able to operate through the corruption and with the connivance of local officials and the police. Much of the gang warfare of the prohibition era developed around the industry. The control of points of distribution—roadhouses and speakeasies—and the hi-jacking of beer trucks belonging to rival producers were not incidents in a generally lawless situation but actually fundamental to the business. Beer could be made and sold only if the process had all the attributes of legitimate large-scale industry; hence the efforts of gangs to establish monoply control.

So gaping were the sources of illicit supply that ten years after the inauguration of the experiment the Bureau of Prohibition was prepared to admit that the amount of liquor in circulation was fully 40 per cent as great as in the last pre-prohibition year. The figures were:

FISCAL YEAR ENDED JUNE 30

	1917	1930
Proof gallons of spirits	167,740,325	69,829,218
Gallons of malt liquor	1,885,071,304	684,176,800
Gallons of wine..	42,723,376	118,476,200

Why did enforcement break down? Certainly, the old commercial liquor traffic and the saloon were institutions for which little could be said in mitigation. Moreover, there were large numbers of civic-minded Americans who were willing to give the Eighteenth Amendment a fair trial simply because it was inscribed on the nation's statute book. But the blunderings of the enforcement officials, the open disregard of the law by the wealthy who either had well-filled cellars or were prepared to pay any price for choice wines and whiskies, and the refusal on the part of many persons all over the country to believe that the drinking of liquor was

a crime, these circumstances, coupled with the appearance of a new generation which looked on the carrying of pocket flasks and the frequenting of speakeasies as a lark in keeping with the temper of the post-war era, were too great to be overcome. Public opinion simply refused to take the law seriously; and by this absence of popular consent the prohibition law was nullified in fact.

Nullification came from another quarter, based on this same hostility or indifference on the part of the American public—from the States. In keeping with the mandate of the second section of the amendment almost all the States had proceeded to enact prohibition laws; indeed, in sixteen of them, the standard for an intoxicating liquor was even lower than the one-half of 1 per cent prescribed by the Volstead Act. Some even outlawed possession of alcoholic beverages. The States, however, went as far as the Federal Government and no further: they enacted laws and indulged in pious wishes, but refused to build up local enforcement machines or spend any money on the checking of the liquor traffic. The result was that in no one year did all the States combined spend as much as $1,000,000 to supplement Federal activities. By the end of 1930, too, eight of the greatest industrial commonwealths in the Union, containing fully one-fourth of the country's population, had become so convinced of the futility of State enforcement that they either had already repealed their laws or had received mandates from their electorates to do so.

It was inevitable, therefore, that, in keeping with the temper of the times and the perceptible change in the social attitude toward drinking, there should spring up a group of institutions in many ways more vicious than the old publicly-regulated saloon —the speakeasies, roadhouses, night clubs, blind pigs and beer flats of the prohibition era—where youth and women were openly served and criminal forms of vice naturally flourished. Few middle-class homes were without their liquor supply; scarcely a club, hotel or pleasure resort dared ban its use; no social function had run its full course until a large quantity of hard drink had been consumed and a certain number of cheerful or sick drunks helped on to their own doorsteps.

All this was bad enough, but the evils produced in the train of the open flouting of the national prohibition law were perhaps worse. Henry W. Anderson, a member of the Wickersham Commission, indicated some of the more outstanding of these in his individual statement appended to the commission's report: (1) There was springing up a public disregard for all laws, growing out of the refusal or inability of authorities to enforce this one; (2) official protection was being purchased by the illicit liquor operators; the resulting corruption of public officers and police was therefore "widespread and notorious"; (3) the courts were being compelled to give too much of their time to prohibition cases; (4) prisons were being crowded to the danger point with prohibition law violators; (5) the public was being poisoned with bad and unregulated liquor; (6) "the illicit producer, the bootlegger and the speakeasy are reaping a rich harvest of profits and are becoming daily more securely entrenched"; (7) "these great revenues, in the hands of lawless elements, are not only enabling them to carry on this business in defiance of government, but to organize and develop other lines of criminal activity to an extent which threatens social and economic security."

Public disapproval showed itself not only covertly by violation but openly by expressions of recorded opinion. In a number of unofficial polls taken during the period the wets, that is, those favoring the repeal of the Eigh-

teenth Amendment or its modification to permit the manufacture of light wines and beer, plainly indicated their dissatisfaction with prohibition. In the last and most pretentious of these, conducted by the *Literary Digest* in 1930, in which some 20,000,000 persons were circularized, out of the 4,000,000 ballots cast, 73.9 per cent were against the amendment. Similarly, in some nine official referendums held in the States during the years 1920-28, in which the question at issue was either the modification of the Volstead act or a demand on Congress to repeal the amendment, the wets scored heavily in seven cases.

Organized dissent, too, raised its head. Committees of bar associations in many sections of the country filed reports in which there was viewed with dismay the breakdown of the law machinery of nation and States. Persons who had never had a stake in the commercial liquor traffic formed societies to encourage agitation against the continuance of the experiment. Pressure was brought increasingly to bear on lawmakers and organs of opinion. The Anti-Saloon League was now meeting with stubborn opposition not from brewers and distillers so much as from the eminently respectable Association Against Prohibition, headed by Pierre S. du Pont, and from the Women's Organization for National Prohibition Reform, under the leadership of Mrs. Charles H. Sabin. So hostile had sentiment apparently become among middle-class women that in the three years from 1929 to 1932 they were able to enlist 900,000 members and form working units in forty-two States.

Yet, it is remarkable that the breakdown of enforcement, the absence of general observance, nullification on the part of the States and the mobilization of hostile opinion were really of no avail during the whole of the 1920s. Why did this anomalous state of affairs drag on so long? Because the continuance of prosperity during that whole miraculous decade was indubitably associated in countless minds with the outlawing of the liquor traffic and the saloon. Was it not more than a coincidence that with the inauguration of national prohibition there had also set in a period of general well-being, when the productivity of labor was increasing almost every hour, capital was never earning so much, poverty was on the way to elimination, homes, automobiles, radios and a thousand new household appliances were being bought by every one and the whole of America's youth appeared to be going to school?

The lyrical outburst of the Anti-Saloon League, in 1925, seemed to contain more than a germ of truth: "Industry, commerce, art, literature, music, learning, entertainment and benevolence all find their finest expression in this saloonless land." Certainly, industrialists must have believed that there was an intimate association between the end of the old Saturday night spree of America's laboring population and its new consumption of luxury goods. How, then, account for their generous support of the Anti-Saloon League during the whole period? The Rockefellers, S. S. Kresge, James N. Gamble, John Wanamaker, Joseph Boyer of the Burroughs Adding Machine Company, James Horton of the Horton Ice Cream Company, J. L. Hudson of the Hudson Motor Company, R. E. Olds of the Reo Motor Company, S. S. Martin of the National Biscuit Company, the United States Steel Corporation—all donated freely. Henry Ford, if he did not support it with money, gave the movement his blessing, for did he not say, with all the weight of authority that his idlest utterance bore, "The Eighteenth Amendment is recognized by the men and women of our country, the

women especially, as the greatest force for the comfort and prosperity of the United States"?

The prolongation of the depression was necessary to shake the confidence of such cheerful analysts. So long as prosperity lasted, so long were the difficulties of prohibition enforcement minor evils to be borne; with economic collapse came the sweeping away of what had been the Eighteenth Amendment's really impregnable defense.

The first real cloud to appear on the horizon, though it was no larger than a man's hand, was the very complete report of President Hoover's Commission on Law Enforcement and Observance. This body, made up of eleven distinguished citizens and headed by George W. Wickersham, had been created on May 20, 1929, to make a general study of the processes and defects of law enforcement; on Jan. 15, 1931, it submitted its findings on prohibition. Unfortunately, the confusion arising out of the mode of presentation of the report robbed it of much of its value as an aid to the crystallization of opinion. Its appearance was preceded by an untruthful summary which was not its work but that of an anonymous Washington official, and its conclusions and recommendations were at plain variance, not only with its own presentation of the facts, but with the stated opinions of the individual commissioners. Thus, while the commission as a whole declared its opposition to the repeal of the Eighteenth Amendment, to the restoration of the legalized saloon, to the entry of Federal and State Governments into the liquor business, and to any change in the Volstead act to permit the manufacture and sale of light wines and beer, two of the commissioners demanded outright repeal, four favored the immediate and drastic modification of the experiment and only five were willing to see its further continuance!

But the marshaling of the evidence against national prohibition constituted one of the most illuminating public documents of modern times. The facts assembled by the commission clearly indicated that prohibition had broken down and was in fact impossible of realization, because the illicit liquor traffic was highly profitable, because public opinion was either indifferent or hostile and because the States refused to apply honest and efficient methods of enforcement. Not many thoughtful persons who read the entire volume could fail to agree with the bluntly worded conclusion of Commissioner Monte M. Lemann: "* * * that the Eighteenth Amendment cannot be effectively enforced without the active general support of public opinion and the law enforcement agencies of the States and cities of the nation; that such support does not now exist; and that I cannot find sufficient reason to believe that it can be obtained. I see no alternative but repeal of the amendment."

If the effect of the Wickersham commission report was in itself hardly decisive, other factors were accumulating during 1931 and 1932 to create a hard, solid body of dissent.

First, and most important, was the realization that some positive economic act was required to start the wheels of industry going once more. From this sprang the widely expressed belief that the revival of liquor manufacturing under proper restraints would provide the necessary new opportunities for the investment of capital and the employment of labor. True, such a procedure would destroy the wildcat brewers, illegal distillers, bootleggers and speakeasy proprietors, who, too, whether their activities were nefarious or not, represented the operations of capital and labor; but, ran the argument, the existing stagnation was psychological as much as economic and any lusty effort, such as this,

might have the happy effect of pushing the depression off dead-centre.

Second, the necessity for developing new sources of revenue, lest National and State Governments place heavier burdens on the well-to-do, was a consideration of no light weight. Would not, therefore, the re-opening of the old and rich vein of excises furnish a desirable form of relief? It was generally stated that taxes on spirits, wine and beer would alone bring into the Federal coffers fully $1,000,000,000 a year.

Third, the existence of organized crime had become a national menace. Ending the illicit liquor traffic would not put an end to criminals, but it would drive them into less excusable unsocial activities against which public opinion could more easily be mobilized and a greater effort demanded from police authorities.

Fourth, politicians of both parties hesitated to stake victory in the forthcoming national election on the single issue of prohibition. A campaign of generalities, in which both Republicans and Democrats could appeal to the support of all sections and classes without directly alienating one large group, was more in conformity with American political procedure; in this way, for example, the spectre of Bryanism might be invoked against the Democratic candidate, and the charge of standpattism leveled at the Republican candidate. And the choice, then, would be decided by a thousand and one imponderables.

The statement by John D. Rockefeller Jr. practically on the eve of the meeting of the Republican National Convention appeared exactly at the psychological moment. It had the great virtue of succinctness; it presented admirably the whole case against the Eighteenth Amendment; it was opposed to temporizing until an adequate substitute for national prohibition had been found and called for outright repeal at once. Moreover, the source from which it emanated was unimpeachable in view of the close association of both Mr. Rockefeller and his father with evangelical Protestantism and the temperance movement. There can be no question of the influence Mr. Rockefeller's declaration had on the American public; that it must have borne real weight with the Republican and Democratic platform-makers it is also hard to doubt.

The ensuing action of the two conventions has taken the troubled question of prohibition out of politics and commits both parties to repeal. The plank of the Republicans is more guarded than that of the Democrats; while it is ready to transfer to the States complete control over the liquor traffic, it wishes to retain in the Federal Government the powers of preserving "the gains already made," of protecting "those States where prohibition may exist" and of preventing the return "of the saloon and attendant abuses." The Democratic plank is more candid; it demands repeal without conditions and, pending the action of State conventions, promises the immediate modification of the Volstead act to legalize the manufacture and sale of beer and other beverages of legal alcoholic content. With these clear-cut pledges committing the two parties to the submission of a new amendment to the Constitution, the end of the experiment of national prohibition seems to be in sight. Certainly, all but the last chapter of its exciting and curious history appears to have been written.

Trotsky's World Revolution

By Louis Fischer
Author of "Machines and Men in Russia"

Leon Trotsky, now living in exile on the island of Prinkipo, is regularly characterized in official Communist pronouncements as a counter-revolutionary. In like manner, Trotsky persistently accuses Stalin of serving counter-revolutionary purposes by obstructing the movement toward world revolution. But the real question is not whether Stalin or Trotsky calls louder for the overthrow of the bourgeoisie; neither would yield to the other in the intensity of his desire for an international social upheaval. Every Communist must advocate the hasty demise of the capitalist system and its replacement by an enlarged Soviet Union, embracing all countries. No change of method or emphasis can conceal the ever-present Bolshevist goal of a universal Red régime.

Words and wishes notwithstanding, Trotsky charges, the Communists of the Soviet Union, under Stalin's guidance, have actually sabotaged numerous efforts to bring the blessings of sovietism to foreign lands. The voice, Trotsky might say, is the voice of world revolution, but the hands which should hasten its progress are clutching at the brake of the bourgeois locomotive and preventing it from rushing down the steep slope to destruction. Trotsky maintains that Moscow professes world revolution and practices counter-revolution.

This is a serious matter for the capitalist world and for all Communists. Is Trotsky right? Or is Stalin correct in the contention that Trotsky is playing the rôle of bourgeois agent and enemy of the new Russia? The answer to these questions depends mainly on one's estimate of the political and social nature of the present régime in the Soviet Union. Has Russia receded from bolshevism under Stalin's leadership? Does the future promise a further drift toward capitalism? If the reply is "yes," then indeed Trotsky's attacks are warranted. But if the Soviet Union is proceeding toward socialism or at least away from capitalism, then Trotsky's argument loses much of its cogency, for by its very existence a truly Soviet, near-Socialist system—even if Stalin yelled counter-revolution from the house-tops all day—must further the cause of revolution in other countries. Trotsky, therefore, insists that Stalin not only does not work for the world revolution but cannot convert Russia into a Socialist State. The two go hand in hand.

Because the matter hinges primarily on the character of the Soviet régime, the chief issue between Stalin and Trotsky is: Can a Socialist State be erected in one country alone? Originally, no Communist believed that socialism or even a Soviet government could exist in only a single country. When the Bolsheviki seized power in 1917 they were a mere handful. Most foreign States opposed them with armed force. Lenin and all his followers were convinced at that time that only a revolution abroad could save them from certain doom. Inexperienced and without cohesion, they did not hope to survive unless revolutions in Europe and Asia weakened external hostility and gave Red Russia a breathing space for domestic entrenchment.

In 1919 Hungary and Bavaria

raised the red flag. Allied armies were mutinous. The Peace Conference at Versailles had as yet failed to pacify the world. India was on the verge of revolt. Asia seethed with militant discontent. And the Bolsheviki were hemmed in on all sides by "White" Russian and capitalist armies. World revolution seemed the only escape and the best hope. But as the years passed the prospects of social upheavals in the Eurasian continent receded into the background. Simultaneously, the Soviets grew stronger. World revolution remained a desired goal, but it ceased to be the alternative to Bolshevist collapse. It ceased also to be an immediate possibility.

The New Economic Policy of 1921 and the peace treaties, the offers of concessions and the debt conferences which logically followed it, documented this epochal change. The Communist and capitalist worlds had failed to destroy one another; they had reached a stalemate. Therefore a truce was declared, although it was an armed truce, during which the Bolsheviki looked for signs of capitalist decay while many Western statesmen prayed for, and sometimes worked for, Soviet ruin.

Meanwhile the New Economic Policy was exercising a corroding influence within Russia. A new bourgeois trading class acquired wealth and position. Rich peasants increased in numbers. The intelligentsia had not been won over. Moscow made little, if any, progress toward socialism. The Bolsheviki were distressed by a sense of failure both at home and abroad. During this period, in May, 1924, Trotsky told an important conference on literature convened by the Communist party that "we [the Bolsheviki] do intend to bring the peasantry, under proletarian leadership, to socialism," but "the road," he added, "is very, very long." Trotsky estimated that it would take "twenty, thirty, fifty years" to traverse it. These years would be marked by an armed struggle against capitalism in Europe. "And if this new and more violent era of civil war," Trotsky predicted, "ends with success, the Socialist basis of our economy will be finally established and fortified." Only then—after a victory of the revolution abroad—he felt, could there be a proletarian literature, could there be socialism in Soviet industry and agriculture.

This proposition, born in a time of Bolshevist mental depression, became the platform on which Trotsky has fought Stalin since 1924. Since socialism is the chief desideratum, since no acts or policies limited to Russia alone would bring it about, and since foreign revolutions could, Trotsky's strategy was, generally speaking, to foster world revolutions, hold on to power in Russia and improve her economy, but not on the assumption that agriculture could really be collectivized, industry socialized or trade sovietized until other countries turned Bolshevist.

This is the "Theory of Permanent Revolution" which finds expression in Trotsky's recent *History of the Russian Revolution* (New York: Simon and Schuster, 1932), and in practically all his political writings and actions after 1903. Trotsky asserts categorically that "the Socialist revolution is not consummated until the final victory of the new society on our entire planet." When all the earth is soviet, then, too, it will be socialist. Until that day the revolutionary process goes on—permanently.

Trotsky consequently—and this is also part of the doctrine of Permanent Revolution — objected to the bloc which Stalin countenanced between the Kuomintang, the party of the Chinese bourgeoisie, and the Chinese workers and peasants. Trotsky wanted an out-and-out Communist uprising in China in 1925-27. Moreover, he advocated the severance of Moscow's cordial ties with the non-Communist British trade unionists of the type of Purcell and Hicks. He demanded that the British Communists nominate their own candidates in gen-

eral elections instead of cooperating with the Laborites. In all these respects—in his foreign policy and his attitude toward the Comintern (Communist International)—he was certainly more moderate than Stalin.

A more radical policy of foreign revolution, however, does not imply a radical policy within Russia. Indeed, it may imply the exact opposite. Speaking of the Soviet Union, Trotsky has maintained that "the fate of the dictatorship and of socialism depends, in the last analysis, not only and not so much on national productive forces [inside the Soviet Union] as on the development of the international Socialist revolution." But if that is the case, the chief emphasis must be placed on stimulating world revolution rather than on expanding Russia's own economy. Trotsky, to be sure, would not have neglected Soviet home industry any more than Stalin would ignore the usefulness of the Third International. There are no whites and blacks in this picture. It is a matter of proportion and shade. Yet Trotsky's program does attach prime importance to foreign upheavals. His policy for Russia, consequently, did not include the immediate introduction of Socialist forms in agriculture. He contented himself, in 1927 for instance, with proposals to exploit the Kulaks (rich peasants) through forced loans, grain confiscations and, if need be, through the sale of city goods at inflation prices. Nor did Trotsky believe that the capitalist class in the Soviet Union and the class war could be eliminated until the advent of universal sovietism.

Stalin, on the other hand, assumes that collectivization, which means eradication of private capitalism in the village and suppression of the urban bourgeoisie in Russia, are possible no matter what may happen abroad. Indeed, under Stalin's firm hand the Bolsheviki have undertaken to destroy the last vestiges of private capitalism in the Soviet Union. The Kremlin's domestic policy is today more to the left than ever before. Despite modifications and zigzags which foreign observers may innocently interpret as signs of repentance, there is now absolutely no way back to private capitalism. The corollary, Stalin declares, is the rapid spread and intensification of the Socialist characteristics of Soviet economy. At the end of the second Five-Year Plan in 1937, according to sanguine Bolshevist claims, socialism will have been established in Russia despite the persistence of capitalism everywhere else.

Although the accurate observer must note the disappearance of the last traces of private capitalism in Russia, Trotsky declares that "the world's division of labor, the dependence of Soviet industry on foreign technique, the dependence of the productive forces of advanced European countries on Asiatic raw materials * * * make the construction of a self-sustaining Socialist society impossible in any single country in the world." This dependence certainly applies to capitalist States. Perhaps Trotsky has actually understated his case, for the richer a capitalist nation grows, the more goods and money it must export and the more its prosperity is determined by the availability of foreign markets. As capitalist economy assumes higher forms, it grows increasingly internationalist and less self-sustaining.

Yet it is possible that a Soviet economy defies these rules because it eliminates the profit motive, hinders excessively unequal distribution of wealth, and, therefore, can expand endlessly at home without being forced to seek foreign fields to conquer. Russia, moreover, is very rich, potentially perhaps the richest country in the world. She has many raw materials and can buy the others by exporting a limited quantity of commodities. Especially when the West is seeking customers, Russia may be

able to perfect her technique and purchase the mechanical proficiency which she does not possess, without selling her Socialist birthright.

Possibly, then, socialism can be confined to national frontiers more easily than capitalism. This would mean that, though expansion through world revolution might be desirable to extend the Communist heaven, there would be no economic compulsion on the Socialist State to precipitate foreign revolutions. The Socialist State could stand alone. The notion that such isolation is impossible dates back to the period when Soviet Russia was weak and when capitalism was reasserting itself. Yet today no country would dare to attack the Soviet Union single-handed, and even a coalition of capitalist powers would hesitate long before taking the field against the Bolsheviki. The Five Year Plan and subsequent schemes of industrialization propose to make Russia increasingly impregnable and increasingly independent.

The present Communist leaders of Russia maintain that a strong Socialist Soviet Union is the most effective stimulus to world revolution. A prominent German diplomat arguing about the rate of Soviet economic improvement concluded by declaring that the percentage of growth did not really matter because "if the Bolsheviki can stay in power and register even a 2 per cent increase in production and therefore in popular well-being, they are a danger to the capitalist world. Such progress means that a Communist government can exist and prosper. This fact brings home to workingmen in other countries a moral which will menace the bourgeois system." And the Bolsheviki agree that a successful Soviet Russia will inspire other proletariats to emulation. The Russian Communists, therefore, are devoting themselves to the task at home. They are more introverted than ever before. Foreign politics interests them largely as a means of neutralizing outside hostility and of obtaining capitalist credits. Anything that may interfere seriously with domestic improvement is avoided.

How does the Comintern fare in this changed situation? Officially some of the most important Communists in Moscow serve as leaders of the Third International and bear responsibility for its acts. But Trotsky charges that the actual operations of the Comintern are conducted by men of third rank and small calibre whose numerous mistakes retard the revolutionary movement abroad.

Trotsky's most poisonous shafts are aimed against Stalin for his rôle in the Chinese revolution of 1924-1927 and in the present German crisis. Trotsky maintains that Stalin's policy in China was not an accident and not a mere mistake, but an inevitable result of his rejection of the doctrine of Permanent Revolution. The acceptance of that theory, Trotsky insists, would have prevented Stalin from supposing that a successful social revolution could have issued from a union between the petty-bourgeois Kuomintang and the workers and peasants, in which the Kuomintang was the dominating influence. Trotsky likewise condemns the Comintern for sanctioning last year's plebiscite in which the German Communists voted with the Hitlerites in an abortive effort to precipitate an early re-election of the Prussian Legislature. Trotsky, above all, criticizes the Comintern for restraining the German Communist party from decisive revolutionary action.

The essence of these charges is that Stalin has refused to aid, indeed has even weakened, Communist groups in foreign countries. Moscow, of course, responds with a denial. Leading Bolsheviki explain that when Trotsky proposed soviets for China the situation was not ripe for such extreme measures. Trotsky replies that ultimately Moscow adopted his policy

after it had managed to kill the Chinese revolutionary movement. Moscow says that movement lives and grows. In Germany Trotsky urges a bloc between Communists and Social Democrats to fight fascism. Moscow declares, however, that this is menshevism, an old Trotskyist malady, and that, since the Social Democrats had supported the former Bruening Government, alliance with them would bolster up the German bourgeoisie. The Trotskyists in Spain, who have developed considerable activity, accuse Stalin of pussyfooting on the question of Spanish communism in order to win diplomatic recognition from Madrid.

Such recriminations are natural in the overheated atmosphere of the Stalin-Trotsky controversy. Rather than undertake the thankless task of dividing truth from fiction and exaggeration—a task for which any contemporary historian would have too little data and too much bias — it might be more profitable to plot the probable curve of Moscow's reaction to a serious foreign revolutionary situation if one arose.

Stalin proceeds on the assumption that revolutions do not result from imported money or pamphlets or agitators. A revolution germinates only in national soil when social and economic conditions favor its growth. The Bolsheviki would say that the capitalists will do more than the Communists to undermine capitalism. Today, despite the universal depression, they view the world scene soberly and, while discerning a gradual shift to the left, are skeptical about a Red uprising, even in Germany, not to speak of other countries. A war, of course, would precipitate national discontent and hasten the revolutionary process. But in times of peace the blow which would fell the bourgeoisie must be postponed until capitalist debility advances much further than it has. Moscow's advice, therefore, would consist of realistic words of caution—no adventures, no terror, no useless bloodshed. Such a passive policy of patience is usually unpopular with the radical proletariat. It has undoubtedly cost the German Communists many votes. But the Comintern believes that this is to be preferred to a trial *putsch* which would most likely end in failure and stimulate a reaction against communism.

The Soviet Government itself, of course, strives scrupulously to avoid any appearance of interest in foreign Communist movements. It does not wish to be embarrassed diplomatically or to spoil its contacts with bourgeois nations. Since 1927 Stalin has defended the thesis of capitalist-Communist co-existence. The Soviet Government officially proposed a resolution at the International Economic Conference in Geneva in May, 1927, which enunciated the idea that the two opposing forms of society could live together in peace and coöperation. On all recent occasions Soviet spokesmen have emphasized the same proposition.

But how would the Communists in the Soviet Union behave if revolution were imminent in some important country? What if Germany or France or Japan were on the very threshold of a national social upheaval? The historical precedent is Germany in 1923. The Reich had been impoverished by inflation. Bread riots had occurred in numerous cities. The German Communists were planning an uprising. With one hand the Comintern helped them. But Stalin said: "In my opinion, we must restrain the Germans and not encourage them." The German Communists, he added, "have a Soviet State as their neighbor, but what can we give them at this moment?" And Trotsky himself told United States Senator King in Moscow that "we do not interfere in civil wars abroad. We could intervene only by making war on Poland, and we do not want war." Trotsky was then Commissar of War and shared respon-

sibility for the Kremlin's acts. It makes a vast difference now that he is a free lance.

The Bolsheviki would no doubt aid a successful foreign revolution which had already established a Soviet régime. They might also be tempted to throw their aid to a foreign Communist party if they felt that their contribution would decide the battle in favor of sovietism and if the international complications did not appear threatening. Everything depends on the particular conjecture and on the risk involved. Moscow would first consider Moscow and only then its foreign friends. The Bolsheviki believe that they must, at all costs, protect and safeguard what already exists in Russia—not only because it is important in itself as a bridge to universal socialism, but because it always remains as an inspiration, even when passive, to outside revolutionists. In 1918, when many Bolsheviki objected to the signing of the Brest-Litovsk peace treaty with Germany in the hope that their refusal would provoke a revolt against the Kaiser, Lenin said: "Germany, you see, is only pregnant with revolution, but here in Russia a perfectly healthy child—the Socialist Republic—has already been born, and we may kill it if we start a war." A similar consideration would govern Moscow's acts today or tomorrow in the face of an impending foreign revolution. Concentration on the revolution at home, especially when revolutions are not in the offing abroad, is not exactly a sign of counter-revolution.

Nor can Trotsky be regarded as a counter-revolutionary. It is true that he has written for the capitalist press in criticism of Soviet Russia. Moscow has exploited that fact to injure his reputation. Yet Trotsky is a sincere and convinced revolutionist despite errors into which political inactivity and personal vanity may lead him. He may be wrong, but he is in no sense a reactionary. That much, however, cannot be said for all his followers. One finds among his stanchest disciples, agents and translators men who are not identified with Marxism or revolution and who for years have not done or said anything that the bourgeoisie might resent.

Trotsky, moreover, offers the enemies of the Soviet régime the best possible arguments and material. He gives the ex-radical or near-Communist an excuse for maligning Moscow and abstaining from participation in revolutionary action. Sitting in Prinkipo, near Constantinople, far from European capitals and enjoying no regular contact with his supporters except through correspondence, Trotsky has made himself a great power among European intellectuals. His pen and his talents give him vast influence. Yet he uses his position to turn the thinking youth away from Russia.

Much of the venom of Trotsky's polemics against Stalin may be explained by the crudeness and unfairness of many of Moscow's attacks on Trotsky. Stalin stops at nothing to damage his exiled antagonist. Trotsky boils at the injustice of it and reacts fiercely. His writings bristle and sear. The controversy at times brings to mind the bitter struggle between Lenin and Trotsky before the 1917 revolution. They called each other every abusive name in the political dictionary. Even in the Spring of 1917 Lenin branded Trotsky as a dangerous "waverer." Three months later they were working together to prepare the Bolshevist *coup d'état.*

China Plays the Innocent

By G. WARREN HEATH

[Mr. Heath is an American who has been actively engaged in business in the Far East for the past fifteen years. Since his comments on the recent Sino-Japanese conflict reflect a point of view different from that expressed in previous articles published in this magazine, the editors believe his article will be of interest.]

A GREAT deal has been written about the contestants in the so-called Shanghai incident, and most of this has been in the nature of an indictment of Japan. The tide of sympathy has reached such proportions that the average American actually believes the Chinese to have been entirely guiltless victims of a war-maddened Nippon. Few stop to think what would have happened in Shanghai had the Chinese been victorious.

In many respects China is to be pitied. It is a country torn asunder by constant civil war, and its people live amid poverty and pestilence, dominated by self-seeking politicians. Yet one must not be too ready to believe that the Chinese are deserving of moral support against the demands of their neighbor. China is not as guiltless as some would have us think. It must be realized that the Chinese have for years played a shrewd game to arouse sympathy throughout the world, especially in the United States. For once in their lives the Chinese politicians were caught. They played the old game once too often.

Even though we deplore the extreme methods adopted at Shanghai and cannot accept with equanimity the attack on Chapei, we must admit Japan performed a task badly needed. Notwithstanding the legendary reputation of the Chinese for honesty, veracity and fair dealing, China and the Chinese have changed considerably since the days when the word of a Chinese was as good as gold. I need only to point to the treatment accorded foreigners in the Chinese courts, the corrupt functioning of the Bureau of Trade-Marks at Nanking, the overbearing and antagonistic attitude of most Chinese officials, the many petty annoyances inflicted on foreign business men, the spirit of anti-foreignism prevalent in China and the arrogant agitation to force abolition of extraterritorial privileges.

In order to understand these things and their relation to the resentment of China's leaders over foreign failure to accept premature claims of a stabilized China, one must first realize that China is in the process of attempted modernization. Strenuous efforts have been made by the Nanking Government within the last few years to remodel China along Occidental lines, in the hope of complete restoration of China's sovereign rights.

What China's leaders cannot understand is the skepticism displayed toward their efforts. They do not see why their contention that "the old order has yielded place to the new" should be the object of suspicion and reservation. And yet the reason is simple. Foreigners know from past experience that the new order of things is actually the old order in disguise, that under existing conditions the laws, no matter how meritorious, cannot be enforced throughout the nation, and that a mere stroke of the pen will not bridge the gap between antiquity and modernity. In the mad whirl to make China an up-to-date nation, her leaders have overlooked the fact that the mere promulgation of laws does not make them function

and that enforcement is impossible without the necessary operating machinery and highly trained individuals to administer them. When it is realized that the Nanking Government's control is limited to a very small section of the country, that nation-wide transportation facilities are most inadequate, that there is no universally spoken language, that civil war is always imminent if not actually in progress, and that Communistic and bandit activities continue to flourish, it is obvious that all the laws in existence cannot substantiate the claims of various Chinese leaders that China has become stabilized.

A typical example has been the attempt to abolish "likin," a tax, originally levied on the value of all sales, imposed by the people of China upon themselves during the Taiping Rebellion in order to make up the deficiency in the land tax. It was intended to be merely a temporary measure, and foreign-owned goods were to be exempted. However, "likin" is still levied and foreign-owned goods are not exempted. It has degenerated into a profitable source of income for various Governors through whose provinces goods must pass. Since the greater part of all imported goods is eventually shipped into the interior of China it has become customary to collect "likin" as and when such goods pass through the respective provinces. In many instances, these exactions have increased the original cost of the goods two and three times before they arrive at their ultimate destination. In order to remedy this restriction on trade, the Nanking Government, in return for tariff autonomy, guaranteed to abolish "likin" and agreed to meet the mounting expenses of the various Provincial Governments from increased duties levied on foreign goods at the ports of entry into China.

China has secured tariff autonomy and the law has been promulgated, but beyond that nothing has happened. Provincial Governors continue to collect "likin" together with other newly devised local taxes, and the Nanking Government receives increased duties on foreign goods. In addition, bandits also impose a tax on all goods transported through the sections of the country that are under their control, in return for which safe passage is guaranteed. Had the Nanking Government been in position to enforce the law, a boon would have been bestowed on foreigners and Chinese alike. Unfortunately for the business man, the law could not be enforced.

Another law promulgated within the last two years deals with the importation and sale of all medicinal and pharmaceutical preparations. This law contemplated effective control by requiring the manufacturer to submit samples of all products to the Department of Health for analysis, together with a stipulated fee for services rendered. If and when such products were approved, a license permitting their sale would be granted. Nothing is to be said against a law of this kind, but the Nanking Government has not been in a position to administer it equitably. There are no Chinese pharmacists competent to undertake analysis of and pass on the efficacy of the thousands of medicines now being sold. Enforcement not only would pave the way for untold graft, but would permit the perpetration of fraud and many injustices. In full realization of these facts, leading foreign and Chinese firms repeatedly filed strong protests, with the result that enforcement has been deferred indefinitely.

As already stated, the Bureau of Trade-Marks at Nanking is corrupt. Instances are common wherein the bureau will accept for registration the mark of a Chinese product that is obviously an imitation, and will, in addition, often void registration previously granted a foreign concern in favor of the Chinese competitor.

Much is made of the fact that Jap-

anese firms market inferior and spurious goods, packaged to resemble certain well-known foreign products. Too true; yet the Chinese engage in the same sharp practices and to an increasing extent, since they know from experience that in most instances they can do so with impunity. Practically all foreign products that sell to any extent are imitated, both as to style of the package and as to the trade-marked name. Nor are such flagrant infringements confined to irresponsible business houses.

By way of example, on a recent trip to China, during which I was handling a well-known American product, which had been registered with the Bureau of Trade-Marks at Nanking, I discovered thirty-two clever infringements in Shanghai alone. One of the offenders was a leading Chinese department store. An effort was made to have the style of the infringing package changed, but no amount of persuasion could prevail. Everything possible was done to settle the matter amicably and without losing the store's business in other lines. Finally an official of the store, scoffing at the threat to take the matter into court for settlement, said: "Do you foreigners think you can persuade a Chinese judge to render a verdict against a leading Chinese concern?"

As far as extraterritoriality is concerned, Chinese pressure to force abolition has been growing stronger every year. We cannot deny China eventual abrogation of these privileges. But, with conditions as they are today, abolition would be suicidal for the foreigner, not only from the standpoint of business, but also from that of physical safety. There have been many indications that the governments of the United States and Great Britain were prepared to abandon extraterritoriality, and were these nations to have acquiesced in China's demands Japan would have been forced to accept them, too. By her action at Shanghai Japan focused the eyes of the world on that city. She has successfully blocked for some time submission on our part to China's demands and has brought home to all nations the fact that to relinquish extraterritoriality privileges would leave Shanghai at the mercy of hordes of bandits—dressed in uniforms, to be sure, and by courtesy called soldiers, yet at heart only too willing and eager to despoil so rich a city.

It has been often said that Japan's actions were motivated by territorial ambitions. If it is so, the same thing may be said of some other nations; Japan has merely followed in the footsteps of her mentors. Both Great Britain and France have pursued the same policy at some time in their respective histories. In recent years the United States intervened in Nicaragua, and the Panama incident is still fresh in our minds. Whether we consider the Sino-Japanese situation analogous is beside the point; in Japan's eyes there is sufficient precedent. Japan has always claimed a special sphere of influence in Manchuria, not unlike that special influence claimed by the United States under the Monroe Doctrine. As far as the provocation for Japan's advance into Manchuria is concerned, there has undoubtedly been some sharp manoeuvring on the part of the Japanese War Office, but Japan, I contend, is not and was not entirely to blame.

Let it be freely admitted that, according to treaty agreements and the open-door policy, Japan has violated solemn covenants. But we must remember that the United States, as well as the other nations of the world, is primarily interested in China and Manchuria as a market for merchandise. In order that all nations might participate on a free and equal basis, it was logical to evolve treaties and for the United States to proclaim the open-door policy. Do not let us be naïve enough to pretend that the purpose was solely to prevent chastise-

ment of China. As long as we are content to remain inactive, let us be more tolerant of Japan, who, after all is said and done, evinced a desire to clean up existing conditions and has actually pulled the chestnuts out of the fire for us.

While in China last year—several months before the clouds began to gather—I was informed by a Captain in the Intelligence Division of the British forces stationed in Shanghai that trouble was soon to arise in Manchuria and that Japan would proceed on the plea of "defense of property." We must assume, therefore, that the British Government and undoubtedly our government knew in advance what Japan intended to do. As no protest was lodged at the time, it is reasonable to believe that both governments acquiesced in what was to follow and were quite willing to accept whatever benefits might accrue as the result of Japan's action.

Regardless of the many reasons advanced for Japan's provocation, it is quite evident that one of the underlying motives was a deep-rooted fear of Russia. Both countries have longingly eyed Manchuria, and had Russia succeeded in securing control she would have stopped Japanese colonization and would have been better able to direct Communistic activities in China and Japan, which would have threatened Japan's very existence. On the other hand, Japan, by acting first, has set up a buffer State which will not only help to prevent the further spread of Russian influence in the Far East, but will provide for her much-needed territorial expansion and colonization. If, therefore, the acquisition of Manchuria will satisfy Japanese aspirations and she can bring order out of chaos, let us recognize that such expansion might settle for an indefinite period the troublesome Far Eastern question.

Before the Japanese advance Manchuria was undoubtedly in a precarious condition. Although a province of China, it has for a long time been so in name only. This rich territory, with excellent possibilities for trade and internal development, has been ravaged by bandits for years, and currency has been depreciated greatly in value. Actually Manchuria has been little more than a feudal State controlled by completely independent war lords who have taxed its population and trade beyond endurance. Except for the customs revenue, which even war lords dare not entirely confiscate, Manchuria has been of no value whatever to China. Under Chinese control there was little likelihood of reform or any substantial progress toward development of the country.

Among foreigners resident in China it has been freely stated that Manchuria needed cleaning up so as to develop its natural resources and foreign trade. It follows that Japanese occupation will be a good thing, provided that the rest of the world is accorded equal privileges. There appears to be a wide divergence of opinion as to what the future holds for the foreign business man there. Some believe that with Japan in the saddle the death-knell of alien interests has been sounded, as in the case of Korea, while an equal number contend that, with law and order, trade will increase and prove to be more profitable than heretofore.

In order to understand the happenings at Shanghai we must remember that the anti-Chinese riots in Korea of more than a year ago resulted in another anti-Japanese boycott in China—one which assumed dangerous proportions when the Japanese, provoked by the many outrages committed by the Chinese, finally invaded Manchuria. A boycott in China does not always denote patriotism, nor is it always wholeheartedly endorsed by the people. It provides an opportunity for certain Chinese business men, ostensibly supporting the boycott, to make large profits by taking advantage of the situation to import goods surreptitiously in advance of their

competitors. In the main, a boycott in China is generally the tool of professional agitators who become rich on the funds subscribed to support the movement and on the proceeds derived from the sale of goods seized by their orders.

This particular boycott was outrageous from any standpoint and clearly reflected Chinese disregard of foreign property rights. Japanese goods were seized in various parts of Shanghai and taken by main force to the headquarters of the professional agitators. To allay suspicion a portion of these goods was publicly destroyed, but most of them were remarked and sold. There are many Chinese merchants making their living by handling Japanese goods and countless thousands of the population who want these goods. Accordingly, this so-called boycott simply resulted in creating great hardship not only among the Japanese but among the Chinese as well.

During January matters became worse. There were several ugly incidents reflecting no credit on either side, and the Japanese Admiral at Shanghai made definite threats to use force if the outrages did not cease. Finally, hostilities broke out. Which of the two contestants is actually responsible will never be known; both sides claimed to have been provoked. It is quite probable that both lied. Except for a half-hearted attempt at reinforcements made by Chiang Kai-shek for face-saving purposes, the Cantonese Nineteenth Route Army, which had surrounded Shanghai some time before—perhaps as a threat to the Nanking Government—received practically no assistance from Nanking. It is clear that the Nationalist leaders desired and even welcomed destruction of their rivals by the Japanese forces. Finally a peace was signed, and the world wept for China.

Even if there is no more fighting between the Chinese and Japanese, another outbreak of civil war is possible, regardless of recent statements by leaders of the Nanking Government that henceforth no effort will be made to subdue by force of arms any part of the country already beyond its physical and economic control. Here we have for the first time an admission to the world that the existing government is unable to unify the country and enforce its own dictates.

What will be the result? An increase of bandit depredations, greater Communistic activity, and in time an inevitable breaking up of the nation into completely independent provinces or States. As conditions exist today and are likely to prevail for some years, there is a diminishing probability that a single government can hope to dominate all China. Certain well-informed persons contend that China will emerge from the chaos divided into three parts, with three distinct and independent governments—one in North China, with its capital at Peiping; a second in Central China, with its capital at Nanking, and a third in South China, with its capital at Canton. If such a thing does come to pass it may well be the saving of all China. In any event, as conditions are today, almost any change would probably be reflected in a greater stability of government.

I am still pro-Chinese. I have a great desire to see China become stabilized and maintain a government which can effectively control the entire country and preserve its own rights as well as those of the foreigner. But if China honestly desires to retain the sympathy of the world she must put her house in order, stop whining, cease playing one nation against the other, and above all, curb the anti-foreign spirit now in the land. Then will she merit the moral support of other nations in her fight against imperialistic aggression.

The Bonus Army Marches to Defeat

By E. Francis Brown

ONE of the most amazing episodes of the Hoover era has been the march of thousands of World War veterans to the national capital todemand immediate payment of their bonuses, or adjusted compensation certificates. For more than two months ex-soldiers, drawn from all sections of the United States, camped in and about Washington, lobbied for what they considered their just due, threatened to afflict the capital with disease and epidemic, and presented a constant menace to law and order. No amount of logic or persuasion prevented the veterans from remaining in the District of Columbia from the end of May until July 28, when, the patience of the authorities exhausted, the veterans' camps were destroyed and the occupants driven from the capital by the armed forces of the United States Government.

What started the movement of the veterans upon Washington to demand immediate payment of the bonus is not clear. The organized "respectable" veterans' lobby directed by the Veterans of Foreign Wars and the American Legion had secured, early in the session of the Seventy-second Congress, the introduction of a bill favoring the immediate payment of the bonus through the issuing of more than $2,000,000,000 in currency. This bill, which was sponsored by Representative Wright Patman of Texas, aroused opposition throughout the nation and early in May was believed to be safely ensnared in the red tape of House procedure. But almost immediately a new situation arose.

On May 21 Eastern newspapers carried the first news of a possible mass demonstration on the part of World War veterans when dispatches from East St. Louis, Ill., described the seizure of a Baltimore & Ohio freight train by 400 ex-soldiers from Oregon. These men, who were headed for Washington, had reached the Mississippi by hitch-hiking and by commandeering box cars. When the B. & O. refused to move the train which the veterans had occupied, and trouble seemed imminent, the Illinois National Guard was ordered to the scene to protect railway property. Disorder was avoided, however, and the veterans moved on, crossing the Illinois prairies in trucks and automobiles provided by local officials and municipalities. The Governors of Indiana and Ohio supplied the bonus marchers with transportation; food was donated by patriotic organizations and kind-hearted individuals, while the citizens of many towns and cities wished the veterans godspeed on their mission. As a result, on May 29, the vanguard of what was to be a great army arrived safely at the national capital.

Apparently the example of the Oregonians was sufficient to give birth to dozens of contingents of bonus marchers, because even before the men from the West Coast reached the capital the nation's press told how groups of ten, fifty or several hundred men were proceeding to Washington to ask of Congress the immediate payment of the bonus. For the most part their progress was orderly, although at New Orleans and Cleveland there were clashes when the veterans attempted to seize railway trains. Within a week of the arrival of the men from Oregon several thousand veterans were in Washington.

Why were these men—approximately

95 per cent of whom were unemployed —in Washington? Ostensibly their purpose was to secure payment of the bonus, but any one of them if he thought about it must have realized that the few hundred dollars which immediate payment would place in his pocket could not be of great use if hard times were prolonged. As a group the veterans and their supporters maintained that the payment of the more than $2,000,000,000 proposed by the Patman bill would start the nation toward economic recovery —but that argument came after the movement was in full swing and could never have stirred individuals to start the long, arduous trek to Washington. Probably the best explanation is that most of the men, being out of work and despairing of finding employment, turned to the idea of a bonus march as a means of escape in the naïve hope that something might come of it. In any case a demonstration at Washington would be better than loafing on the streets of El Paso or Duluth.

From the beginning the city of Washington was an unwilling host to the veterans' horde. General Pelham D. Glassford, Superintendent of Police in the District of Columbia, appealed, even before the first of the men arrived, to authorities along the various routes of march to do all in their power to discourage the former soldiers from coming to the capital. At the same time he made plans to take care of the veterans, although insisting that those who came would be permitted to remain in the capital only forty-eight hours. The forty-eight-hour limit, however, was laughed at by leaders of the bonus-marchers since their purpose was to camp in Washington until the bonus was paid. The first contingent of war veterans was assigned barracks in disused buildings at the capital. A few army rolling kitchens were lent to the men and bed sacks with straw were obtained from the War Department; food was donated by some of the merchants of the capital—and the "siege of Washington" began.

By early June the Bonus Expeditionary Force, or B. E. F., as it quickly became known, was too large to be accommodated in the vacant buildings of Washington and a makeshift camp was established on the Anacostia flats across the Potomac from the city. If it rained, the dusty area on which the men had camped became a quagmire, and mosquitoes were ever present. Here, during the ensuing weeks, thousands of men, a few with their families, made their homes, living in shacks and makeshift shelters built from the refuse of a near-by dump, sleeping under the stars or in pup-tents loaned by the army. The problem of feeding so great a force—at one time the B. E. F. claimed about 20,000 recruits — was paramount. These men were without funds, or nearly so; they could not buy food for themselves, but unless they were fed, anything might happen. So the wise and humanitarian of Washington opened their purses, merchants contributed foodstuffs, General Glassford gave of his funds, and from outside the District came supplies and money. Somehow food, rough but never plentiful, was provided and no one starved. Sanitary conditions in the Anacostia camp distressed Washington officials, who foresaw an epidemic of typhoid or typhus since the men washed their clothes and cooking utensils in the eastern branch of the Potomac, which is "little more than an open sewer," and no regular water supply was available. Moreover, the inevitable presence of camp-followers suggested further complications in the task of maintaining health, both in the camp and in the city itself. Apparently, however, the worst of these forebodings were never realized.

A surprising aspect of the bonus march and "siege" was the high degree of order and discipline maintained in the motley ranks of the veterans. Except for brief interludes the

leader of the B. E. F. was Walter W. Waters, former superintendent of a fruit cannery in Oregon, 34 years old, married and the father of two children. He had been without employment for a year and a half when he organized and led the veterans from Oregon who apparently started the entire movement. Under his leadership the "army" and camps were organized along military lines and policed as well as possible, while the men were drilled daily and kept under control. Perhaps his personality alone prevented the mechanics, farm hands, miners, laborers, office workers, Negroes and whites, from resorting to violence.

The character of the B. E. F. was somewhat of an anomaly. Superficially, its members were patriotic bourgeois Americans, exercising in an orderly fashion their constitutional right of petition; all the signs of 100 per cent Americanism were present in the camps and the national emblem was on display everywhere. Moreover, the leaders constantly watched for evidence of Communist elements in the army and occasionally purged the ranks of those who did not measure up to the B. E. F.'s standards of loyalty to the United States.

On the other hand, the very organization of so great a body of men who, bonus or not, obviously were protesting against their economic condition, was enough to give conservatives an attack of nerves. The speeches of the veterans' leaders and the editorials in their newspaper, the *B. E. F. News,* resounded with good, old-fashioned denunciation of the Hoover Administration, of the bankers and of big business. Yet the men insisted that they were not radicals. It was all somewhat illogical and emotional, but potentially dangerous if there should appear the kind of leader who could exploit the veterans and their feelings. Meanwhile the nation looked on, mixing sympathy for the unemployed veterans with dislike for the methods they had adopted to gain their ends, dimly recalling, perhaps, stories of the Pretorian guards and hoping that Congress would not be overawed by the pressure which this new form of lobby was bringing to bear.

There can be no doubt that the presence of the bonus army in Washington forced Congress to act upon the Patman bill which had been so carefully shelved by the House Ways and Means Committee on May 6. Early in June enough signatures had been obtained to the petition which made possible the bringing of the bill to the floor of the House for a vote. Each day brought more veterans to the capital until at least 10,000 were in the city when the House, on June 15, passed the Patman bill for payment of the bonus. That night there was rejoicing in the camp at Anacostia, but this joy was short-lived. Two days later, while 10,000 veterans were massed about the Capitol, the Senate rejected the bonus bill.

The defeat of the Patman bill came at the end of a day tense with the fear that the veterans might break from control. Ever since the camps had been established troops in the posts about Washington had been held in readiness for trouble and the leaves of officers had been canceled. But, on June 17, nothing happened. Disconsolately the veterans returned to their cheerless camps, and many of them must have begun to feel that their cause was now hopeless.

If officials in Washington expected that the action of the Senate would bring about the disintegration of the B. E. F. they were quickly disillusioned. Day after day the veterans stayed on, while newcomers replaced the few deserters. As a result Washington officialdom sought ways and means for ending the stay of the uninvited guests.

General Glassford, who from the time the veterans arrived at the capital devoted most of his time to the

problems which they presented, had handled the peculiar situation tactfully and ably. He won and held the confidence of the veterans and was able to negotiate with their leaders. But no amount of persuasion on his part could induce the B. E. F. to demobilize. On June 21 he suggested to the railroads that, if they offered transportation to the veterans at a nominal fare, many men would avail themselves of the opportunity. The Pennsylvania and the Baltimore & Ohio agreed to take the bonus army home at one cent a mile, but as funds were lacking the plan failed. Congress, seconded by the administration, then came to the rescue and on July 7 appropriated $100,000 to carry the veterans home—the amount extended to each man to be charged against the final payment of his bonus. Although several thousand men borrowed money for fares the size of the bonus army was not noticeably affected.

Whether the public realized it or not, affairs were fast approaching a crisis. Police regulations were being violated; the more timid government officials were plainly frightened by what might happen; and in many minds was posed the question how to end speedily yet tactfully the disgrace of a mob siege of a great capital. On July 12, while scores of veterans sprawled asleep on the lawns of the Capitol grounds, 450 Californians who had refused to affiliate with the B. E. F. picketed the Capitol. Three days later their continuous march back and forth in the plaza before the great building was still in progress, although for a short time it had seemed about to be broken up when two companies of marines arrived from the Washington Navy Yard. The marines, however, were quickly withdrawn and the picketing went on until the adjournment of Congress at midnight that day. Meanwhile, veterans had attempted to picket the White House, with the result that the gates of the Executive Mansion were locked and the streets in the vicinity were cleared of all automobile and pedestrian traffic. When, on July 20, about 200 of the more radical element of the B. E. F. marched to the White House, the police were obliged to display tear-gas bombs and firearms before the group dispersed. Nevertheless, disorder was avoided, as it had been from the start of the "siege."

The last phase commenced on July 21 when General Glassford ordered the veterans to evacuate the capital by Aug. 4. At the same time several thousand men who had been living in government-owned buildings on Pennsylvania Avenue which were to be demolished were told that they must move out immediately. This order was rescinded the following day, only to be repeated and again rescinded. On July 25, when a group of veterans once more tried to march to the White House, contrary to police orders, street fighting broke out between the veterans and the police, with the result that several veterans were arrested. Meanwhile, dissension appeared in the B. E. F. Walter W. Waters, the commander, had agreed to evacuate his men from government buildings as soon as contractors sought to raze them, and Washington officials had declared, without too much truth, that the army was melting away.

The end came on July 28. That morning workmen, with police protection, began to demolish the buildings on Pennsylvania Avenue which the veterans had been occupying. Trouble soon developed. The police were showered with brickbats, and, according to the statement of the Commissioners of the District of Columbia, found themselves unable to maintain law and order. As a result, in mid-afternoon Secretary of War Hurley, acting under instructions from President Hoover, ordered General MacArthur, Chief of Staff of the United States Army, to "surround the affected area and clear it without delay."

The scene which followed was new to Washington. By 4:30 P. M. the troops were out; they moved down Pennsylvania Avenue, "the cavalry leading the way, and after them the tanks, the machine-gunners and the infantry." In all there were not more than 500, although as many more patroled the streets of the capital. Tear gas and the flat side of the sabre drove the veterans from Pennsylvania Avenue and toward their camp at Anacostia. Many were injured, but only two were killed. The troops did not stop when they reached the Potomac. Across the river bridge, step by step, they forced the bonus marchers. Soon smoke was rolling up from the squatter camp on Pennsylvania Avenue and from the main camp at Anacostia; fire had been set to the improvised homes and little attempt was made to extinguish the flames.

All that night and into the next day the veterans, some of them with families, carrying their few possessions, straggled pathetically away from the city where they had hoped for so much. In spite of their commander's declaration that the B. E. F. would carry on, the morale of the thousands seemed broken. The ragged remnants gathered during the next few days at Johnstown, Pa., where the Mayor of that city offered asylum. But the end had come. Funds for transporting the veterans to their homes were provided from somewhere and during the first days of August trains from Johnstown carried the defeated bonus-marchers to the States where they had legal residence, if nothing more.

As an aftermath of the eviction of the B. E. F. President Hoover ordered a sweeping investigation by the District of Columbia grand jury of the charges that the leaders of the riots in Washington were radicals and not ex-service men. The Communist party, meanwhile, had claimed credit not only for the riots but for starting the bonus march on Washington, but the Communist statement was probably calculated to serve Moscow rather than the truth.

While his army moved toward Johnstown Commander Waters assumed the rôle of an American Hitler when he issued a national call for a "khaki shirt" movement to "clean out the high places of government." "The people have been betrayed by the servant of Wall Street who sits in the White House," he declared. For the moment, at least, his denunciation of the government was lost in the almost universal approval of the action of President Hoover. But among the more thoughtful there were doubts whether the use of troops had been necessary and whether the procedure of the government had not been mistaken in its severity.

In all the applause attendant on the forced evacuation of the B. E. F. few voices were raised to attempt to weigh the social significance of the veterans' march. If the bonus aspect of the demonstration is forgotten, one sees a profound stirring of the nation's unemployed—orderly, to be sure, but disconcerting. These men without work happened to be ex-soldiers; they sought in a blind, misguided fashion to secure relief from the government, but they failed. The final verdict on their efforts belongs not to the contemporary commentator but to the historical interpreter who possesses a perspective of years rather than weeks. For the moment, the pathos and tragedy of a movement born of economic desperation are set against the belief of many citizens that the march of the veterans to Washington imperilled the very existence of government.

Briand's Legacy to the World

By LINDSAY ROGERS
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ABOUT a year ago Aristide Briand made his last speech in the League of Nations Assembly at Geneva. He was eloquent, as always, but the Assembly listened coldly. Only a few days before Germany and Austria had been made to eat humble pie and withdraw their projected customs union agreement. Franco-German relations were in a state not measurably better than during the Ruhr invasion. The Locarno spirit seemed to be gone. Briand spoke with little of his former authority, for the customs agreement had been negotiated behind his back, and Laval was more and more becoming his own Foreign Minister. Briand merited a more glorious finale in the Assembly which had so often thrilled to his words. Six months later, on March 7, 1932, he left a world which was far different from the world for which he had striven.

In his essay on "The Character of Sir Robert Peel" Walter Bagehot wrote that "the accusations which are brought against a public man in his own age are rarely those echoed in after-times. Posterity sees less or sees more." This profoundly true judgment must be kept in mind in attempting a contemporaneous estimate of any statesman, particularly one whose acts have been the subject of great controversy and whose labors seemed at the moment of his passing to have been almost in vain.

So with a statesman like Aristide Briand. The chief contemporary criticism of his career in France was that he was proceeding too rapidly—that in striving for better relations with Germany and in being so preoccupied with the peace of Europe he was overlooking French interests and security. Forty years from now historians of the post-war period may marvel that Briand was as tentative as he was and they may say that had he been more venturesome and had he been better supported by his country, the edifice which he constructed would not have tottered during his lifetime. His experience, however, was much the same as the experience of his great friend Gustav Stresemann and of their great predecessor in the rôle of a statesman primarily bent on peace—Woodrow Wilson. All three lived long enough to see the tide of idealism ebb and leave exposed the dirty flats of national intransigence and international ill will.

In the case of Briand, the interesting thing is that the historians will be concerned almost entirely with his post-war career as Foreign Minister. His earlier years will be of interest chiefly in explaining his successes on the international stage. When those successes began, observers were inclined to think them somewhat incongruous. Briand's record in internal politics was hardly an augury of sincerity in international politics. But, as his occupancy of the Quai d'Orsay continued, Briand showed very clearly that he was applying in the international sphere the best of those qualities which had made possible his peculiar achievement in internal politics.

Entering Parliament as a Deputy from the Loire in April, 1902, he obtained Cabinet rank four years later. In the Chamber of Deputies he made an almost instantaneous reputation by his oratory and by his famous report on the law separating Church and State. Yet once the separation laws were passed, Briand was the

principal supporter of a policy of appeasement. After the Dreyfus affair and the Combes Cabinet, Briand's policy was to let bygones be bygones, to forget recriminations, to assume the good faith of opponents, and to proceed on these premises. On the surface such a policy could be criticized as a lack of policy, and Briand came to be known as a maker of combinations. He seemed to be a man of no fixed political principles. His forte seemed to be in manipulating the threads which led to particular offices and which could hold together the middle groups of the Chamber for temporary collaboration.

This judgment was supported by the fact that his career showed one or two complete shifts of position. Beginning as a Socialist, in 1911 he mobilized the railway employes in order to check the threatened general strike. In his later life it was difficult to believe that a man with such conservative opinions had ever been a Socialist. The lack of confidence in his sincerity was increased by the stories of his indolence and cynicism. It was said that he never read the newspapers save when he was in office. He seemed to look on politics as a pleasant game. Differing vastly from Lord Balfour in background and education, Briand's attitude toward politics was much the same. Interestingly enough, both men in their final stages were sincere internationalists—Lord Balfour at the Washington conference and Briand at Geneva. But when one acquires a reputation for indolence and cynicism, legends spread, and if one is attitudinizing he delights in strengthening the legends. Briand did that.

The kind of Cabinet career which he had would have been impossible save in France, and the career is unique in the annals of the Third Republic. After attaining Ministerial rank in 1906 he held office in two-thirds of the succeeding French Cabinets for a total tenure of seventeen and one-half years. He was in twenty-three Cabinets, holding at various times the portfolio of Public Instruction or that of Justice or that of the Interior. He was Foreign Minister sixteen times and Prime Minister ten times, though by some the number of Premierships has been put down as eleven. The discrepancy results from counting twice a Cabinet which is recommissioned when a new President of the republic enters the Elysée. Even as a ten-time Premier, Briand set a mark which is not likely to be soon surpassed. He was head of a government twice as many times as any other man under the Third Republic.

As Minister for Foreign Affairs Briand set a record almost as unusual as that he made as Premier, completing nearly seven consecutive years as head of the Quai d'Orsay. Having been Foreign Minister for a year in 1916 and for a second year in 1921, on April 17, 1925, he took the post again in Painlevé's Cabinet and, save for one interruption of two days—the duration of the second Herriot Cabinet in July, 1926—served in thirteen governments. Delcassé, who is usually cited as the Foreign Minister who has served longest, held the post only six times—five of the tenures being consecutive. But his continuous service at the Quai d'Orsay—from June, 1898, to March, 1906—exceeded Briand's.

Briand's career in domestic politics and the kind of man he was were his real sources of strength as Foreign Minister. During the war, although in several Cabinets and Prime Minister twice, he had no outstanding achievement to his credit. It was nevertheless his willingness to discuss a possible separate peace with Austria, which would detach the Dual Monarchy from the German system, which led to the Premiership of Clemenceau in 1917.

Briand saw clearly, in advance of any other French statesman, that Germany could not pay the impossible sums which were demanded as repara-

tions and that a great nation could not be kept in a state of perpetual nonage. He saw that the only hope of European recovery and European peace was the recognition of Germany as a member of the European community and an abandonment of the policy of treating her as a captured criminal, still subject to punishment. He tried his own policy during his Premiership in 1921, but France was not ready for it, and rather than permit the Ruhr invasion, Briand gave way to Poincaré.

When he returned to power more than four years later the Poincaré policy had defeated itself. A Labor government in Great Britain and a government of the Left in France, headed by Herriot, had reached a more cordial entente than would have been possible with Poincaré as one of the parties. Sir Austen Chamberlain, who became British Foreign Minister, continued this policy, and the Locarno negotiations were under way by the time Briand became Foreign Minister in the Painlevé Cabinet of 1925.

In his speeches during the French election campaign last April, M. Tardieu argued that the French Parliament had given Briand loyal support and that the Premiers under whom he had served had supported him well. This is true only in a sense. Briand was kept in office, but he carried out his policies in constant fear that they would be repudiated by a Prime Minister such as Poincaré or Tardieu and that the Chamber of Deputies would withdraw its support. Briand therefore had to temper his policies in order to stay in office. Despite this tempering, however, his opponents might have made him go but for three considerations.

In the first place Briand had real backing from the French people who desire peace with Germany. The principal criticisms of his acts came from the politicians and the nationalist press. Second, Briand was sacrificing no French interest. He was simply dealing with the League and with Germany in a way which was disapproved by the politicians and the press. Third, by the time of Locarno, Briand and Stresemann in world opinion so symbolized a desirable Franco-German rapprochement and Briand so symbolized France's pacific intentions that his departure from the Quai d'Orsay would have been taken as a symbol of the triumph of French militarism. Consequently he stayed on—but more than once only by a narrow margin.

It is worth while stressing the fact that Briand sacrificed no French interest. As Dr. Curtius, the German Foreign Minister, once said to the journalists in Geneva, every statesman at the League has to play a dual rôle. He must, first of all, be an advocate of the interests of his own country. In the second place he should be an architect endeavoring to draw plans for a better international organization. The difficulty is that these rôles may conflict, and the danger is that statesmen, in order to strengthen themselves at home, will forget the international rôle altogether.

Briand did not forget, and he saw that in the international rôle it was possible for him to advance French interests as effectively as if he had a purely national view and were disregarding the interests and sensibilities of other States. His taking such a view of his functions in Geneva was quite consistent with the part he had played in French domestic politics.

In short, there were several keys to Briand's successes as Foreign Minister. He really hated war far more intensely and sincerely than did most other French politicians. His ringing phrase from the tribune of the League Assembly, "So long as I am here there will be no war," was believed by the statesmen with whom he came in contact. It was believed by the French people and the peoples of other countries. Again, as I have said, he applied to international negotiations the same qualities which he had applied in internal politics and which made him

somewhat suspect as "just another French politician." But as accommodation was necessary in forming a Cabinet or in subordinating particular domestic issues so that other more pressing issues might be tackled, so there had to be accommodation in international negotiations. He was realist enough to see that his task would not be easier by starting with the premise that Germany had caused the war and that an unrepentant Germany threatened French security. When this line is taken—as it so frequently is by the nationalist writers in Paris papers —discussion leads nowhere. It begins and ends with war guilt.

Finally, to repeat, Briand, delighting in personal friendships and liking nothing better than to exchange repartee in conversations, made friends with the statesmen with whom he negotiated. Imagine Poincaré endeavoring to learn golf from Mr. Lloyd George at Cannes or drinking beer with Stresemann at Thoiry. Imagine any one other than Briand talking with Stresemann and then agreeing with him to say to the waiting journalists, "We are absolutely in accord on the next step to be taken." It was not until somewhat later, when Stresemann and Briand had reached their agreement, that the nature of that next step became known. It had been to go to bed and sleep.

While he was playing such a rôle—and it was the best possible rôle for the period—Briand's indolence and inattention to detail did not matter. Poincaré had never been able to see the woods for the trees. Minor debating points had seemed to him more important than larger questions of policy or understanding. To play his part Briand needed in other countries statesmen who would meet him on his own ground Stresemann had done that. Each could talk frankly to the other about his country's internal difficulties and the repercussions which particular policies might have on public opinion there. The situation changed when Stresemann was succeeded by Dr. Curtius. Bruening, of a very different type from Stresemann, might have played opposite Briand, but unfortunately the internal situation in Germany became worse and worse. The Hitlerite movement was menacing, and Bruening's attention had to be centred on domestic matters. Dr. Curtius had a rather free hand and the result was the unfortunate customs union proposal. Had Stresemann been in power that "brutal manoeuvre," as the French called it, if attempted at all would have been attempted gently and tentatively. As it was, Briand, on record before the French Parliament as believing in Germany's reasonable intentions, was stabbed in the back.

It is much too early to venture judgment on the ultimate success or failure of Briandism. If it had been applied at Cannes there might have been no invasion of the Ruhr. If it had been applied after Thoiry there might have been no formidable Hitlerite movement. It may be said that at home Briand did not strive vigorously to secure approval of his program. That in a sense is true. He worked individually. His speeches were expressions of individual opinion. His friends among statesmen were individuals. He was content to be a symbol and he did not care greatly about the substance behind him. He did not endeavor, as did Wilson, to arouse his own people to passionate support of the ideals which he was preaching. But for the times he was the best possible Foreign Minister that France could have had. No other one in the crop of French statesmen who might have held the Foreign portfolio could have done a fraction of what Briand did. He thought time would come to the rescue of his policies. It was for this reason that he did not attempt to arouse his own people. Time may yet come to the rescue of his policies; ever since Briand's passing there have been some signs of that.

The St. Lawrence Waterway Treaty

By RALPH THOMPSON

AFTER much public discussion and diplomatic negotiation a treaty between the United States and Canada relating to the St. Lawrence waterway was signed at Washington on July 18, 1932, and now awaits ratification by the American Senate and the Dominion Parliament.

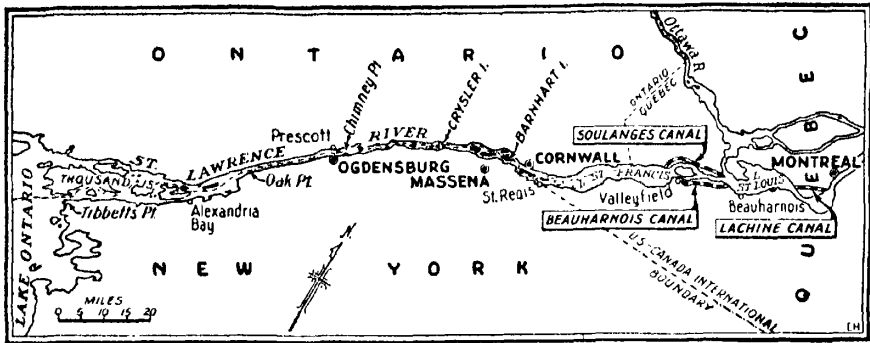
For years officials and private individuals have eagerly attempted to prove that a deep waterway from the Great Lakes to the Atlantic Ocean via the St. Lawrence River is feasible and desirable, while others just as heatedly have advanced counter arguments to establish that it is neither. Thousands of printed pages have been filled with plans for the project or denunciation of it; ambitious politicians in both Canada and the United States have endorsed or spurned the scheme as local interests demanded.

Much opposition must therefore be overcome before ratification can be achieved. Certain segments of enlightened opinion continue to insist that the waterway is unnecessary, that the introduction of ocean traffic into inland channels is commercially and physically fallacious, that the gigantic water power which will be derived from the impounded river may be obtained elsewhere, when and if it is needed, in a less expensive fashion, and that the whole business is a lobby product that may prove as much a white elephant as New York State's $200,000,000 Erie Canal.

But the Governments of the United States and Canada have been convinced otherwise by expert testimony, and with the signing of the treaty by Secretary of State Stimson and the Canadian Minister to the United States, William D. Herridge, the Great Lakes-St. Lawrence Deep Waterway received official blessing.

If the treaty is ratified and the plans it contains are carried out, it will be possible for most sea-going vessels—90 per cent of them, according to President Hoover—to enter the Great Lakes through the St. Lawrence River and to load and unload cargoes at such great ports of the Middle West as Duluth, Chicago and Port Arthur, without the expense and delay of transshipment to and from lake vessels or railroad cars. In addition, immense hydroelectric power will be generated and made available to consumers on both sides of the international boundary.

Thus simply stated, the project of a deep waterway to the heart of the continent seems eminently logical, and this very logic has appealed to the public in both countries for many years. Canadian and American representatives discussed the matter a generation ago, and shortly after the World War definite action was taken. An international joint commission to regulate questions arising along the boundary waters of the United States and Canada had been set up in 1909, and in 1920 this body was instructed to study the question of deepening and developing the St. Lawrence. Its report, published early in 1922, recommended further study of the subject, and to this end President Coolidge in 1924 appointed a national advisory board and an engineering board. Canada designated similar groups that same year.

The reports of these examining bodies, as well as those of various other specially appointed groups, were in the

THE ST. LAWRENCE RIVER ABOVE MONTREAL

main favorable to the scheme; by 1927 the waterway became the subject of negotiations between the two national governments. On Oct. 8, 1931, simultaneous announcement was made in Washington and Ottawa that preliminary conversations had been completed; on July 12, 1932, treaty terms were finally agreed upon, and six days later the document was signed at Washington.

By the terms of the treaty, a channel not less than twenty-seven feet in depth is to be opened from the heads of navigation on the Great Lakes to the Atlantic. The greatest barrier to the accomplishment of this lies in the St. Lawrence River itself, in what is officially designated the International Rapids Section — between Chimney Point and St. Regis. As for the other obstacles between the sea and Duluth, they either have been already overcome, or will be overcome by the date of the completion of the work in the International Rapids Section. From the Gulf of St. Lawrence to Montreal, a distance of about 1,000 miles, a thirty-foot channel now exists. Between Montreal and St. Regis, where the boundary line comes upon the river, three canal systems provide passage around the Lachine and Soulange Rapids, and Canada agrees, under the treaty, to make these capable of carrying ships of the specified draft.

In what is known as the Thousand Islands Section, between the western limit of the International Rapids Section and the outlet of Lake Ontario, the little dredging and straightening of the channel that may be necessary will be done by both nations. By Article I Canada agrees to work between Oak Point and Chimney Point, and the United States, by Article II, between Oak Point and Tibbetts Point. The passage from Lake Ontario to Lake Erie around the Niagara escarpment has been rendered available by the new Welland Canal, built by Canada at great expense. Between Lake Erie and Lake Huron and between Lake Huron and Lake Superior the existing channels will have to be deepened. This the United States undertakes to do by the time the work in the International Rapids Section is complete.

The Joint Board of Engineers in its final report, dated April 9, 1932, recommended the building of two dams in the forty-eight-mile stretch between Chimney Point and St. Regis. The treaty does not specifically discuss the building of these dams, but one is to be at Crysler Island, the other at Barnhart Island. Canada agrees by the treaty to build and maintain a canal at the former island and the United States to provide a deep passage at Barnhart Island. Each country further agrees to construct the works required for rehabilitation within its own territory.

Article III of the treaty provides for the setting up of a temporary joint commission which will construct the dams, exclusive of "the power house superstructures, machinery and equipment required for the development of power." The United States will furnish the funds for the dams, with the provision that the equipment and labor for the work in each national territory shall be purchased from that nation. As far as the power house superstructures and machinery are concerned, these may be constructed by each nation as it wishes, on the understanding that neither shall utilize during any daily period more than one-half the available flow of water.

The following table shows the expense of the project as estimated by the Joint Board of Engineers in 1926. Much of this sum has been already expended, and the total should be actually smaller than estimated, inasmuch as unit prices have fallen since 1926. Revenues for the power generated are calculated to reduce the ultimate cost still further.

	UNITED STATES.	CANADA.
Above Lake Erie	$56,500,000	....
Welland Canal	....	$128,000,000
Thousand Islands Section	461,000	772,000
International Rapids Section	215,492,000	59,250,000
Below St. Regis	....	82,954,000
	$272,453,000	$270,976,000

New York State, which controls the riparian rights on the American side of the St. Lawrence and which will be the chief American beneficiary of the 2,200,000 horsepower to be developed in the International Rapids Section of the river, will bear part of the cost of construction, though exactly what part is not known at present. Governor Roosevelt's Administration has long attempted to discover this cost, holding that a chief virtue of the waterway is its ability to provide cheap power to the citizens of the State.

On July 25, 1931, the New York State Power Authority, a body created by the Legislature to represent the State in the St. Lawrence negotiations, requested a conference with Federal authorities on the question of New York's share in the contemplated expenses. Obviously the ability of the State to furnish cheap power to consumers is dependent upon what the State will have to pay for installation, generation and distribution. No answer to this request having been received from President Hoover, Governor Roosevelt on Aug. 11 wrote to Washington asking for information on the progress of the projected treaty with Canada. No reply was made to this letter. About two months later the Power Authority addressed a formal letter to the President, insisting upon the right of a State to consult with the Federal Government on a matter affecting the joint rights of the United States and one or more of its sovereign States. Negotiations began in Washington on Oct. 28, 1931.

Certain oral agreements were reached in conferences extending up to June 8, 1932, but there was no accord upon the vital point of New York's contribution to the cost of the project. On June 8 the Power Authority addressed a letter to the Secretary of State asking for settlement of this matter before the signing of the treaty with Canada; on July 9, having received no reply, the Power Authority turned to Governor Roosevelt.

The Governor immediately telegraphed to President Hoover asking for a personal conference on the differences between the State and the Federal Government. The following day, July 10, Mr. Hoover declined the suggestion, saying that the proposed treaty with Canada reserved the matter of the disposal of power for purely domestic action, and that such domestic action would have to wait upon the conclusion of the treaty and its ratification by the Senate. On July 20, after the treaty had been signed, the New York State Power Authority

advised Governor Roosevelt that in view of what had gone before, "future correspondence or conferences with the Federal Administration would be futile," and that the State had best rest its case until the hearings on the treaty before the Committee on Foreign Relations.

Some commentators suggest that politics pointing to the November elections have inspired the aloof majesty with which the Washington administration has regarded the importunings of the Empire State, while others see Governor Roosevelt as the St. George who will slay the so-called Power Trust, and President Hoover and his advisers as its thralls. The New York *Herald Tribune*, on the other hand, has gone so far as to say editorially that "it is a little silly to hint that Federal action may keep New York from getting cheap power when there is little prospect of its getting cheap power in any circumstances."

Many groups and individuals do not favor the project. Those who have worked for a Lakes-to-Gulf of Mexico deep channel, and who now see their labors nearly achieved, fear that the clause in the St. Lawrence treaty which recognizes the Supreme Court's limitation upon the diversion of Lake Michigan water into the Chicago Drainage Canal will impair the future of that highway to the Mississippi. Others feel that international agreement upon the use of Lake Michigan water sets a dangerous precedent, for such limitation (made necessary because a heavy flow into the Drainage Canal affects adversely the St. Lawrence level even at Quebec) conveys to a foreign government a measure of control over an entirely American body of water. Some advocates of the routes which were proposed as alternatives to the St. Lawrence waterway to the Atlantic—the "all-American" route, via an enlarged Erie Canal, Lake Oneida and a new canal to the Hudson River at Albany, for instance—are still to be convinced.

In Canada there is also much opposition. Premier L. A. Taschereau of Quebec has called the project "a national crime," denouncing it on the grounds that ocean shipping will not go beyond Montreal and that Great Lakes craft can already reach Montreal. The promised hydroelectric power he terms unneeded, and he objects to giving the United States a "joint proprietary interest" in the Welland Canal. The Province of Ontario, however, is apparently in favor of the scheme and the farmers of Manitoba approve the seaway as an outlet for their grain.

Perhaps it is ingenuous to express regret over the circumstance that opposition to the St. Lawrence waterway is largely the product of those who stand to lose by its construction and that its support comes from those who stand to gain. The mid-Western farmers who have been told that ocean freighters on the Great Lakes will mean a 5-cent increase in their return on a bushel of wheat are eloquent in their praise of the treaty, as are Chambers of Commerce in such cities as Cleveland and Milwaukee.

Other Chambers of Commerce, in cities which are threatened with a loss of commerce—such as Albany, Boston and Montreal—have protested. Can it not be that a great engineering venture is in an absolute sense either desirable or undesirable to the two nations concerned? Is it not unfortunate that it should be judged largely from a local point of view and weighed principally in the scales of parochial interest? It would be heartening to believe that the fate of the waterway does not depend on that temporary alliance of selfish interests which can make the loudest noise.

The Myth of Overproduction

By HENRY HAZLITT

[The author of the following article is a recognized authority on economic and financial subjects. He has been a member of the editorial staff of *The New York Evening Post,* financial editor of the old *New York Evening Mail* and a member of the editorial staff of *The New York Sun.* At the present time he is the literary editor of *The Nation.*]

THE "explanations" for the current world crisis that have poured in from all sides are numerous, but the one most firmly established in the popular mind is "overproduction." Different persons, however, mean different things by overproduction. The least sophisticated mean simply that there is just too much of everything for the world's needs. This proposition has merely to be plainly stated to reveal its absurdity. It is a way of saying that everybody is too wealthy—that we are all supplied with comforts and luxuries to the point of satiety.

A more sophisticated form of the doctrine of overproduction is that, while there are not more goods being produced than most of us desire, there are more being produced than most of us can afford to buy; in other words, that the need for the goods exists, but not the purchasing power. The first thing to be said about this belief is that, while it may often be true of this or that specific commodity, it can never be true of all commodities taken together, because the purchasing power for commodities consists ultimately of commodities.

This is perhaps most clearly recognized in international trade. We send, say, raw cotton to Japan and take raw silk in payment. To be sure, this statement represents a violent oversimplification. There is no direct barter; the cotton is not credited to the American grower directly in terms of its value in silk, but both cotton and silk are credited to their respective sellers in terms of their value in a common denominator—gold. Each commodity represents a part of the general balance of payments between the two countries. There need not even be any direct trade balance between Japan and the United States, but simply a balance between each and the rest of the world, with the adjustment made through triangular exchange operations. Gold shipments, short-term credits and long-term loans combine to make it unnecessary that this balance be achieved in any one year. Ultimately, however, it is goods that buy goods, and this is as true of domestic as of foreign trade. The farmer's means of paying for a motor car is foodstuffs, the motor car manufacturer's means of paying for foodstuffs is motor cars. If all the commodities in the world could simultaneously be doubled, the purchasing power for them would be doubled by the same stroke. It is vital that this point should be clear, because not only is the belief widespread that what we are now suffering from is a general overproduction, but some dangerous policies are being suggested as a result of this belief.

It has been proposed, for example, that labor be immediately put on a six-hour day and a four-day week. This might be a desirable goal for the distant future, but it would certainly not provide a solution of the present crisis. The workers whose time had been cut in half would also have their incomes cut proportionately. A general immediate reduction to a twenty-four-hour week, therefore, could only

reduce production all around the circle, and leave everybody that much worse off than before.

A still more sophisticated form of the overproduction theory is that which connects it with the question of distribution. One form of the doctrine is that income is too unequally distributed. The wage earners get too little and therefore cannot buy what the factories turn out. This theory fails to explain why the factories manufacture a surplus of goods in the first place. All goods are turned out to meet either an actually existing, or an anticipated, need. The anticipation of this year's demand is based very largely on last year's actual demand, and if the demand for a certain volume of goods did not exist last year that volume is very unlikely to be produced this year. Inequality in the distribution of income, therefore, does not in itself account for overproduction.

Another form of the doctrine holds that the trouble is not merely that the wage earners at the bottom do not receive enough, but that the capitalists and rentiers at the top have more than they can spend. The latter are obliged to save the surplus; that is, they are obliged to invest it, directly or through the medium of savings banks and insurance companies, in stocks and bonds—in other words, in the creation of new factories for making more goods. The underpaid wage earner's income is not expanding to buy this constantly increasing product.

Broadly, this is the Marxian view of crises. It fails to explain adequately, however, why manufacturers should borrow money or retain a surplus to build new factories when the already existing demand is being fully met by existing factories. It also fails to explain why the rate of interest on capital has not fallen long ago to practically nothing. To be sure, it is always possible for manufacturers to become unduly hopeful in erecting new plants, but this mistake would be discovered and corrected within a few years. Most likely the mistake, if made on a wholesale scale, would be discovered through resulting depression. Even so, the foregoing doctrine would not explain how new demand constantly arose not only to utilize the new factories again but to lead to the creation of still more factories.

The most defensible form of the theory is that which connects overproduction with *shifts* in distribution. Let us assume that there is a period in which the owners of businesses are receiving larger profits and wage earners lower wages—in terms of purchasing power—than formerly. In that case there already exists a productive equipment to take care of a certain mass demand. When that demand is not forthcoming, temporary stagnation results. This stagnation may even be intensified because the owners of businesses would probably have been temporarily reinvesting at least part of their increased income in new capital undertakings.

Some students of the situation believe that this is the explanation of the present crisis. The immediate evidence, however, does not clearly support this belief. Even after allowance is made for the increased cost of living, and in spite of the fact that the actual hours of the working week were lower, the real weekly wages of factory workers showed an increase of 42 per cent in 1929 compared with 1914. The index of such real weekly earnings in twenty-four manufacturing industries, as compiled by the National Industrial Conference Board, was as follows for the second quarter of each year listed:

Year	Index	Year	Index
1914	100	1926	129
1923	135	1927	133
1924	129	1928	135
1925	129	1929	142

Not only was there no decline in factory wage rates in terms of living costs over the seven-year period 1923-29, but there was an actual advance.

These figures, of course, do not in themselves settle the question. We should have to know the comparative amount of net unemployment for each year during the period, exactly how great was the gain in industrial profits, what happened to the real income of farmers and the white collar classes, and so on. All that can be said is that, though we may make some shrewd guesses, we do not yet know precisely to what extent the shift in the income of various classes within the United States may have contributed to the present crisis.

Must we, then, dismiss "overproduction" entirely when it is cited as the cause of the present, or even of any previous, depression? We must when the term is used to mean a *general* overproduction, but when it refers to a *specific* overproduction the case is different. Obviously, there are some commodities that have been overproduced in recent years. One of the clearest examples is wheat, the excess production of which was brought about partly by the World War and partly by the Russian revolution. When Russia's international disorganization made it impossible for her to supply wheat for the export market, the other wheat-raising countries of the world, principally Canada, the Argentine, Australia and the United States, greatly increased their crops to make up the deficiency.

Outside Russia the mean annual wheat production of the world from 1909 to 1913 was 1,807,000,000 bushels; in the years from 1926 to 1930 it was 2,433,000,000 bushels, an increase of 626,000,000. Russia's average crop in the years just preceding the war was 757,000,000 bushels, or nearly 30 per cent of the total world crop. The Russian crop fell in 1921 as low as 205,000,000 bushels; since then there has been a rapid rise, and the crop in 1930 was 1,032,000,000 bushels—even larger than that which would be called for by the pre-war proportions. The demand, on the other hand, is relatively fixed. The consumption of wheat does not increase in the same ratio as world purchasing power. The man who has achieved a $10,000 annual income does not eat ten times as much bread as when he had a $1,000 income. Indeed, for people above the starvation level the consumption of bread is very little affected by changes in wealth and income. The case for the overproduction of wheat is clear.

But—strange as this may appear—it is seldom easy to establish the existence of a specific overproduction. Certainly we cannot do so merely by comparing the figures of the annual production of a commodity without reference to other factors. Take, for example, the number of millions of cigarettes turned out in the United States for a series of years:

Year	Millions	Year	Millions
1915	17,939	1925	79,951
1917	34,804	1927	97,170
1919	44,771	1929	119,030
1921	50,867	1930	119,640
1923	64,249	1931	113,400

Here the current production grew each year by leaps and bounds; but there has been no overproduction; the price fluctuations have been minor, and the cigarettes have been sold.

Whether any given commodity is being produced in excess or not can never be determined merely by knowing the absolute volume of production, but only by knowing the relation of this production to the demand. In 1920, 75,000,000,000 cigarettes would have represented a gross oversupply, but today it would mean an enormous "shortage."

Most producers complain of an "oversupply" of their particular commodity whenever their profits do not satisfy them—which means that they complain of an "oversupply" most of the time. And they are of course right in so far as the price of their commodity would be higher, and their profits consequently greater, if their competitors made less of it. From a more objective standpoint, it may perhaps be said that supply is "right" when producers are making normal

profits, that there is a "shortage" when they are making unusually high profits, and a "surplus" when their profits are unusually low or when they are actually compelled to sell at a loss. This, indeed, is in general the sense in which these terms are used by business men and in trade journals. "Overproduction" here means merely that more goods of certain kinds are being produced than could be sold at a profit. But does this really tell us anything about specific overproduction? Either a rise in costs of production or a *general* fall in prices or demand will affect profits from a given product regardless of whether or not there is a specific oversupply of that product.

It is important to remember that even if all wealth were equally divided we should still at times probably have overproduction of *specific* goods, that is to say, *unbalanced* production. And this problem of unbalanced production, it must be pointed out further, exists not merely under a capitalist system but would exist under communism, or even as applied to a Crusoe on a desert island. It would be foolish for such a Crusoe to raise more vegetables than he could eat. He would much better devote part of his labor to fishing and hunting, to improving his shelter or to building a boat. Too much time given to any one thing at the expense of others would be a waste of labor.

This very delicate balance in the production of innumerable goods and services must be maintained in a great society. Under capitalism the main reliance for this balance is prices, which under competitive conditions perform—not always satisfactorily—somewhat the same function as the thermostatic control of an oil heater. When a certain class of goods is being "overproduced," the price falls. It usually continues to fall until it is below the cost of production of the weaker or less efficient producers, who are compelled to close down, thus reducing the supply of that class of goods. Unfortunately, if the particular industry that has been overproducing is a large one, the decline in that industry will be likely to unsettle other industries. If it is a manufacturing industry it will hurt the raw material producers by reducing its purchase of raw materials; the stockholders who lose dividends and the workers who are thrown out of employment will cut down their purchases of other finished goods. This process may spread in an ever-widening circle, and thus produce an illusion of "general overproduction."

It is often said that the real trouble has become, not overproduction, but underconsumption. Such a statement seems on its face to be much nearer the truth, but whether it is or not depends on its implications in the mind of the person who makes it. If he means, as most persons who use the phrase seem to mean, that people have suddenly reduced their buying merely through some perverse timidity, he is greatly mistaken. The incomes of many people have declined, and the rest feel, justifiably, that their incomes are less secure than they were. Reduced retail buying is therefore rather a consequence than a cause of depression. The cure of depressions is to be sought somewhere else than in direct campaigns to stimulate retail buying.

We may obtain some further light on the question by analyzing some special branch of trade—say the motor car industry. Let us begin with a table of the annual production of passenger cars:

1900	4,200	1926	3,948,800
1905	24,600	1927	3,083,100
1910	181,000	1928	4,012,100
1915	895,900	1929	4,794,900
1920	1,905,600	1930	2,910,200
1923	3,753,900	1931	1,972,800
1925	3,870,700		

For many years the same type of of situation existed in the motor car industry that still prevails in the cigarette industry—a constant growth in consuming demand in good years and bad, far exceeding the growth in population or in total purchasing

power. The "saturation point," however, so long discussed by statisticians and economists, has in the last few years been approximately reached. Hereafter the industry will find it safest to count, not on new buyers, but almost entirely on "replacement" demand. The problem becomes: What is now to be considered a "normal" replacement demand?

The simplest—though not quite the most accurate—way to calculate this is to decide what is the average life of an automobile and to divide the number of years into the total number of registered passenger cars. Thus there are about 23,000,000 registered passenger cars in the country. If the average life of a car were four years this would mean a replacement demand of nearly 6,000,000 cars a year —far higher than the total has ever reached. If the average life of a car were six years the replacement demand would still be nearly 4,000,000 cars a year, and it must be remembered that a six-year average implies keeping many cars on the road eight and ten years or longer. Sales could remain as low as those in 1931 only on the absurd assumption that owners could make their present cars last an average of twelve years. Obviously there has been no overproduction of motor cars in the last two years; on the contrary, by any statistical standard it is reasonable to apply, there has been a distinct shortage.

But now we begin to glimpse how little production has to do with "need" and how much with purchasing power. Owners everywhere are keeping cars in use that in other times would have been junked long ago. Hundreds of thousands of people would not buy new cars now even if their present cars should stop running altogether. Here we see the fallacy of the whole argument that revival is bound to come when consumers are "obliged" to buy new clothes because their old ones have become too shabby, or when railroads are "compelled" to replace worn-out equipment and repair their roadbeds. The theory does not tell us where the buying power is to come from. At least people in the automobile industry can have this consolation: when revival does set in there will be, in addition to the ordinary demand, a very heavy accumulated demand for motor cars. Steel, too, and other basic industries will benefit from this deferred demand, as the railroads as well as the motor-car manufacturers again enter the market. Yet there can be, of course, no accumulated demand for cigarettes, drinks, foodstuffs and such articles.

The most flagrant cases of overproduction occur in agricultural products and in raw materials rather than in manufactured goods. One reason is that manufacturers rarely produce for a merely anticipated demand, but wait for actual orders. The individual farmer, however, is obliged to produce what he can and take his chances. His production is subject to all the vagaries of nature—drought, excessive rainfall, frost, parching, plant diseases, insect pests, tornadoes, floods—and if he escapes the worst of these he may confront the even greater disaster of excessive crops and unsalable surpluses. Farming is the most inelastic and the most unadjustable industry on earth. That it has been far more a victim of the current depression than the manufacturing industries is sufficiently shown by the fact that agricultural prices have declined much more violently than prices of manufactured goods. The somewhat facile apostles of economic planning, who inform us so often how they would regulate manufacturing, might tell us more about how they would solve the farmer's vastly more baffling problem. But whether they tell us or not, it is reasonably clear from this brief survey that to the extent that our present troubles were brought about by abnormalities of production, they are the result of lack of balance in production and not of "an oversupply of everything."

England's English—and America's

By HARRY MORGAN AYRES
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IT requires no special gift or training to observe that there is in English as spoken a very considerable variety. But it would be rash to conclude that the fact of variety is recent and progressive. There has always been variety—in the days of King Alfred, of Chaucer and of Shakespeare. Even the comparative scantiness of the records cannot conceal this fact, and if we had them in the same abundance from those far-off days as we have them for more recent times we should be still more impressed even than we are with the comparative uniformity of present English. The surviving variety is only a small part of what might have come to us if there had not been powerful forces constantly reducing it, such as the prestige of the literary practice of King Alfred's Wessex, of Chaucer's London and Shakespeare's, the increasing mobility of the population from place to place and class to class, the spread of print, the widening of educational opportunity, the zeal of the schoolmaster and the urge to social conformity. More recently, with the phonograph, the radio and the talking pictures, uniformity of speech cannot but be in some degree still further promoted. These modern activities will at least keep other parts of the English-speaking world informed of American practice, just as a certain type of British practice has long been widely known through the spoken drama.

But though all this makes for uniformity, the pull is by no means in one direction. There are regional loyalties—a Scot, a Virginian, a Bostonian, an Oxford man may rejoice in his differences and wish to keep them. There are class loyalties, and the distrusts and dislikes of one social level of another and of its speech. There is the altogether proper indisposition to move too far from what appears to be the speech of one's neighborhood. Fashions, too, come and go in language as in other human activities. Yet, on the whole, uniformity has, through the centuries, made notable gains, and will, in all probability, for better and for worse as it may seem, continue to do so. To cite only one example, the vocabulary of railroading differs widely between England and America, of motoring less so, and of flying least of all.

The prophets, then, who on every hand see change and decay, threatening a disintegration that will destroy intelligibility, are not likely to be justified by the event. With such English as we have, more people can comfortably hold converse than in any medium yet possessed by man. Its variations do not profoundly affect intelligibility, such as would have been the case if the historic regional dialects of England had kept their vigor, as the regional dialects of Italy have done, necessitating the possession by pretty much everybody of two languages, a common literary language and a native dialect. But even so, with all its uniformity, there is still sufficient variety in spoken English to cause remark and to warrant the student in continuing to make such distinctions as may clarify thinking on the subject.

To this end there are several approaches that are far from helpful. One is the old habit of the British

critic, now happily on the wane, of assuming that all American books must be full of vulgar neologisms and citing in proof of it every word and expression he did not at the moment remember having heard before; a most melancholy chapter in the long history of human ignorance and perversity. A sprawling democracy may escape some of the faults of a smug insularity, but it has its faults in bumptiousness, carelessness, insensitiveness to standards, impatience of discipline, dislike of whatever smacks of superiority, with a resulting tendency to regard anything in language that is better than the worst as a disloyal and ridiculous imitation of the British. From this clash has grown the habit of setting up two wholly arbitrary concepts, British English and American English, as if they were each completely ascertained and entirely self-consistent and between them contained the sum of variety that is exhibited by English as a whole. By identifying "British English" with that of the ablest writers and most carefully trained speakers and "American English" with its least literate manifestations, and by implying that American English marks in each case an innovation, a very striking contrast can indeed be made out, and much sorrow—or joy—extracted from it, according to taste.

None of these methods of going to work is sound or helpful. The only hope lies in continually restating the problem in historical terms. In so doing there comes instant release from the necessity of proving something better or worse than something else and attention at once focuses on how things came to be as they are. This may seem cold counsel to the "improver" of speech, to the propagandist and the patriot, but there *are* historical facts which cannot be escaped, and there *is* a historical method for dealing with them, all of which, far from denying the chance of "improvement," clears the only firm ground for it.

A single word *schedule* will illustrate most phases of the problem. It is a genuine shibboleth; a war could be fought over it. But it would be idle to tell the English that their pronunciation *shed-* is not older than the middle of the eighteenth century and that it lacks the support of those analogies that are generally controlling in English words. It is idle because they love it; the destinies of the empire hang on it, and they are not going to change it. It may be of some comfort to Americans to tell them that since *schedule* is spelled like a Greek word and Greek has a form, though a late one, ultimately related to it, the word has a natural pronunciation with *sk-*, like *school* and *scheme*. It is perhaps idle to tell anybody, with a view to having something done about it, that because the word came into English from the French, it was long pronounced in English as *sedule* and so written. It might very well have kept this older pronunciation even after it was pedantically written *schedule,* just as the word *schism* has done; but here spelling has had its way, though in different directions, on both sides of the Atlantic, and he would be a rash man who sought to restore the older pronunciation to use.

One observation which may be regarded as illustrated by the above example is the insignificance of the differences in comparison with the emotion that attaches to them. Quite recently the British Broadcasting Corporation issued the second edition of its list of some five hundred words of doubtful pronunciation. Not more than half a dozen of these recommendations could be said to be British as opposed to American; that is, the same doubts assail all speakers of English, and the resulting diversity of practice is about constant in both countries. *Caisson* pronounced *cassóon* may be merely a bit of army swank, just as *doctri'nal* is the affectation of certain high church ecclesiastics, and surely not used by many

Englishmen. *Geyser* is not very commonly called *geezer* in America, but the particular kind of hot-water heater which the English so name is also not common in America. The English have tended to prefer the Latin (that is, of course, the old-fashioned school Latin) type of pronunciation in *docile* (*do'syle*), *fertile* (*fer'tyle*) and now British broadcasters are taught to say even *missile* (*mis'syle*). On the other hand, the English used to be fond of French pronunciations like *trait* or *portrait* without the final *t* and *vase* as *vawze*, but in the new list some recent French words are pretty vigorously anglicized, as the more or less phonetic spellings *sho'fer* for *chauffeur, gar'redge* for *garage, kwestionair'* for *questionnaire,* and *commew'nikay* for *communiqué* will indicate. The broadcasting corporation recommends what used to be thought the vulgar pronunciation *marjareen* for *margarine,* but atones for it by being a little old-fashioned in *kwondai'ry* for *quandary* and *faw'con* for *falcon. Hotel* has its *h* back, and if this means that Englishmen are now going to follow the radio announcers in pronouncing it the long catalogue of American sins is reduced by one, and spelling achieves another triumph.

It would be possible to keep on whittling away after this fashion until the differences between American and British English might almost seem to disappear or to be about to do so. It would be possible to say, for example, that American girls of a generation ago annoyed the English by their use of *cunning,* but that the girls of nowadays have largely dropped the expression, which at best hardly rose above the level of slang, like the English *jolly.* And even slang does not seem to be the cause of diversity it once was; it is the one commodity of which the international exchange shows in these days a marked increase. Of the well-authenticated and oft-quoted Briticisms, *different to* has surely lost ground to *different from,* and the worthy old Americanism *back of,* since it does seem to Americans to mean something different from (or to) *behind,* is making a better place for itself in the world.

And yet with all abatements differences exist; the discussion is not entirely without grounds. Though much of it arises from confused notions about that variety that is inherent in English as a whole, there are still points to be made. One is the matter of spelling. The rules of English printing houses differ from the American in several well-known particulars. But it is not necessary to read many volumes of the published correspondence of famous Englishmen to discover that they write with the pen fewer *-ours* and more *-ors* than the printers' rules prescribe. And the English printers use fewer *-ours* than Dr. Johnson's dictionary prescribed, so that all there is to be said is that the simplification of Dr. Johnson's spelling, notably of the doubled consonant in *traveler* and the like, has proceeded just a shade further in America. In this matter the securing of uniformity throughout the English-speaking world would be simple, though not easy, but it is obvious that the British book market derives substantial protection from the situation as it is and can hardly be expected to move for a change.

Of far more importance than slight differences of vocabulary and spelling is the matter of intonation. Here the range of variety is much greater in England than in America, but it is possible to set up a distinction between the two that will hold. The British utterance has a richer tonality, a greater tenseness, a wider spread of pitch and speed than the American. To take once more a very simple example, the American pronunciation of the word *secretary* may, like the wounded snake, trail its slow length along, while in some Englishmen's speech the word more resembles the

expiring hiss and gasp of that renowned literary reptile. Much the larger part of both Englishmen and Americans would be found a long way from either of these extremes, between Oxford and Cambridge on the one hand, and, say, Vermont on the other. But at the best the language as spoken by the American voice strikes the English as thin, flat and uneventful, and the Englishman's manner of speaking is likely to seem to the American affected and a little ridiculous. A retreat by both extremes toward the mean would certainly do no harm.

Now, there is no reason to think that the orchestrated effect that characterizes the upper levels of English speech is very old, that it was part of the language at the time of the great dispersion in the seventeenth and eighteenth centuries. Neither are some of the characteristics of the present Cockney dialect very old; it is not the same language that Dickens records, and he, if any one, knew the metropolitan speech of the early nineteenth century. So that there can be no question of American corruption even on this point, though there may be a failure to rise to somebody else's esthetic standards. It could not be proved that any single type of pronunciation found in America was invented there; it was all brought from England. One result of this fact is that it is a common experience of American travelers in the rural parts of England to come upon something much resembling American speech in the mouth of some rustic whose ancestors had never strayed far from their native village. But while some travelers report this kind of encounter as having taken place in the eastern counties, others experience the same sort of thing in the west of England, or in the midlands. The evidence they bring, however, is difficult to value. The documentary evidence for the birthplace of the earliest immigrants points in the direction of the eastern counties, with London as a distributing centre for settlers from perhaps other regions.

If it is true that America was settled by people of prevailingly one regional type of dialect which has colored the whole body of American speech, the only chance left of ascertaining this region is for some one with the American tunes—since it is so largely a question of tunes—clearly in his head to journey about England with his ears open and a phonographic recording machine with which to bring back his evidence.

The same experiment would be worth making in the Appalachian and Ozark Mountains of America, where an uncontaminated Elizabethan speech is said to linger. Reports concerning it have a rather romantic tinge, implying that a kind of Shakespearean mentality exists among these mountaineers as well. It is not quite explained how and where these qualities of mind and speech were kept unsullied by the many years that must have elapsed between the days that by the widest license could be called Elizabethan and any date at which these good folk could have reached their present fastness. But there are beyond a doubt some archaisms in their speech—that is, some words and expressions that have pretty generally fallen out of use everywhere else. There are genuine archaisms also in standard British, like *clerk* pronounced *clark* or *lieutenant* pronounced *lif-* or *liv-*. These pronunciations were once common in America also, but have now disappeared. America, too, has its archaisms, like *Fall* for *Autumn*, and *guess*, which were once common in England, but now seem unfamiliar to stay-at-home Englishmen. Quite recently I chanced on an unsuspected body of archaisms in the English of Bermuda, notably the interchange of *v* and *w*, best known from the pages of *Pickwick Papers*, but once a widespread "fault" in both England and

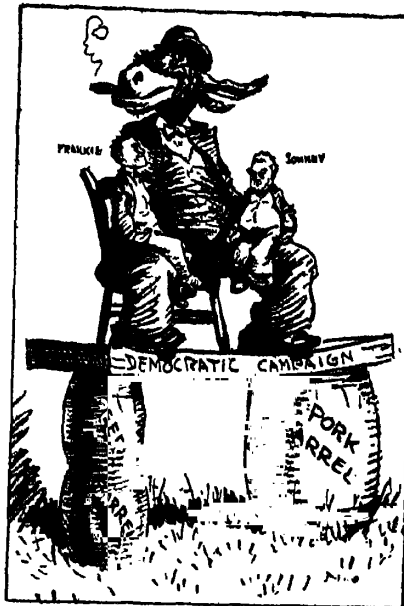
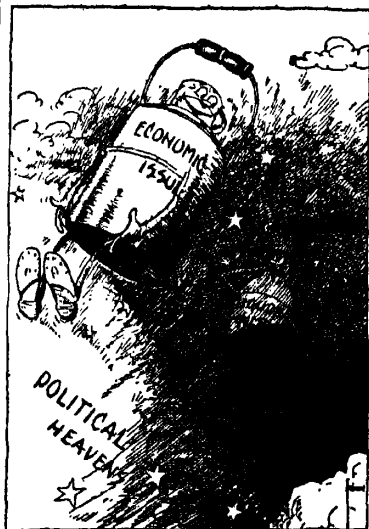
America. There too I found a society in which the so-called broad *a* is characteristic of the lower class whites and the Negroes, and the so-called flat *a* of the better-educated classes, presenting a picture of what in this respect English everywhere was at the time it was carried to the American wilderness.

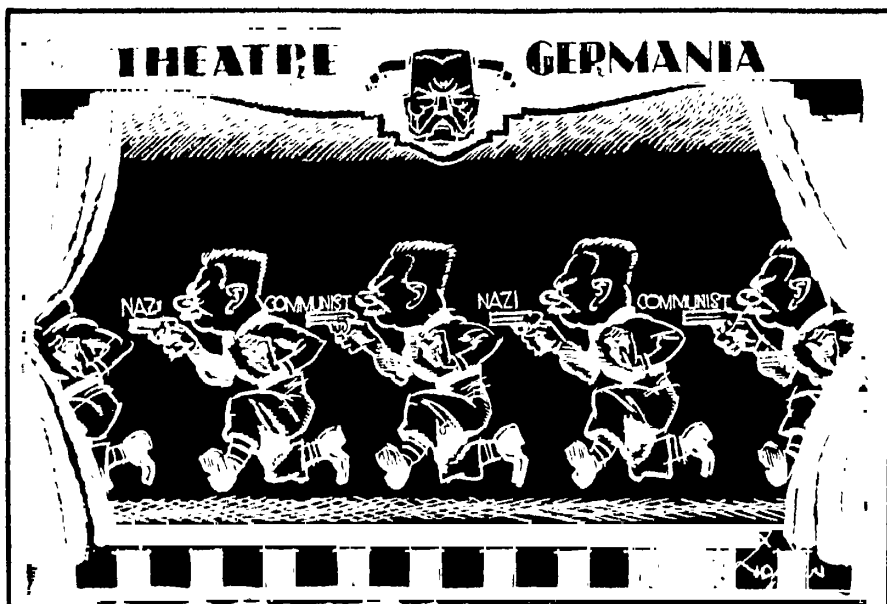
The English language has had a singularly natural and untrammeled growth. The lexicographer has done something to confirm practice, but he has not noticeably altered its course. Noah Webster made Americans "spelling conscious," and in the matter of language they have always been "school conscious," as against the English tendency to rely on family or on neighborhood tradition. But in both England and America alike there has been a middle-class tendency away from the easy carelessness of the eighteenth century toward a pronunciation more nearly conforming to spelling, and the "dropped *g*," for example, in *goin'*, which probably no English-speaking person pronounced two hundreds years ago, and no Bermudian pronounces today, is now fairly generally restored, except at the bottom and, in England, the top of the social scale.

Noah Webster began in 1789, partly out of patriotism, partly as the result of rather needlessly comprehensive ignorance of the facts of language and language history, by advocating a large number of dialectical pronunciations, many of which he abandoned as he proceeded to his great dictionary of 1828; a succession of editors has abandoned most of the rest. Joseph E. Worcester (1830), going in the opposite direction toward an approximation to British standards, had much better luck in choosing the types that were destined to survive. If Americans had had no dictionaries of their own and had remained a small instead of becoming a numerous people, it might be argued that their present practice would be closer to the English. It might, in a few details; but the case of Bermuda, which, in spite of its close English affiliations, has refused to follow changing British standards and has in large measure retained the language the first settlers brought with them, would suggest that American English may owe some of its self-consistency to the lexicographer but no degree of its divergence from the English of today. That divergence arises from a sum of forces the analysis and description of which we call history; something which the lexicographer has been at breathless pains to follow and record as best he can.

History, however, like Nature, will not answer foolish questions; it has the merit only of revealing by its silence their essential folly. History smiles benignly upon both *centre* and *center,* and indeed upon the utmost simplicity of the spelling simplifier and the most cumbersome inconsistency of the conservative. But it is wisely reticent as to which is right, or better, saying, in effect, settle it your own way and *make* history.

Current History in Cartoons

"The job's taken!"
—*Baltimore Sun*

How firm a foundation?
—*New York Evening Post*

That threatened eclipse
—*New York Herald Tribune*

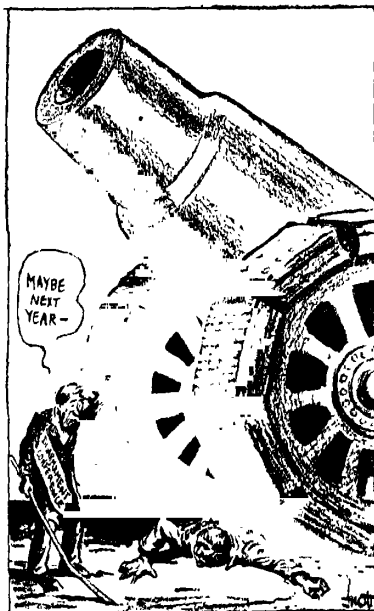
As sung by the two parties
—*Brooklyn Daily Eagle*

Continuous performance now going on
—*Glasgow Evening Times*

"Gosh, how those cubs have grown!"
—*Cleveland Plain Dealer*

"So you've been drinking again!"

—London Star

We are blind if we do not begin now to face it

—Des Moines Register

No relief

—Dallas News

"Help me! I am starving and can hardly pay my chauffeur"
—*Glasgow Record*

"But these war debts reek of blood"
—*Kladderadatsch*, Berlin

A Month's World History

America and the Pact of Paris

By JAMES THAYER GEROULD
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THE address of Secretary of State Henry L. Stimson before the Council on Foreign Relations delivered in New York on Aug. 8 (the text of which is printed on pages 760-764 of this magazine) marks another step in the crystallization of the policy of the United States regarding the Pact of Paris and its specific application to the Sino-Japanese dispute.

The first enunciation of policy bearing on this dispute was contained in a note sent to the governments of Japan and China by Secretary Stimson on Jan. 7 stating that the United States could not admit the legality of any acts accomplished in violation of the commitments involved in the Pact of Paris and the Nine-Power Treaty embodying the open door policy (see CURRENT HISTORY, February, 1932, page 755).

The next development came on Feb. 24 in the form of a letter from Secretary Stimson to Senator William E. Borah, chairman of the Senate Foreign Relations Committee (see CURRENT HISTORY, April, 1932, page 58). In this communication the Secretary of State reaffirmed his previous position, and in addition declared that a similar attitude by the other governments of the world would effectively prevent the legalization of any acts which violated treaty obligations.

In his speech of Aug. 8 Mr. Stimson further interprets the Pact of Paris by insisting that a consultation of the signatory powers is inevitably implied whenever there is a threat of a violation of its provisions. Delivered but a few weeks before the meeting of the League of Nations Assembly and the issue of the report of the League's inquiry commission in Manchukuó headed by the Earl of Lytton, this interpretation of the pact has been taken by some to mean that the United States unequivocally disapproves of Japan's activities in China and desires to bring world-wide moral pressure to bear upon her.

The first reaction of the Japanese Foreign Office to the address was that Mr. Stimson, by implication, had accused Japan of aggression. For a short time it appeared that a protest might be made. However, the matter was apparently satisfactorily adjusted in conversations between Mr. Stimson and Ambassador Debuchi.

The speech contained several important features in addition to the statements on the Far Eastern situation. Premier Herriot of France, who is also Foreign Minister, welcomed particularly the section regarding the need for consultation. "I recognize once more," he said, on Aug. 10, "the sincerity with which the Secretary of State has sought to give the pact its full efficacy by urging consultations should the necessity arise. It is very valuable to us to hear it said that in the opinion of American statesmen this pact already involves in itself the necessity for these consultations."

This feeling was echoed in Geneva,

where, in League circles, it was thought possible that the United States might be willing to enter into some sort of consultative pact in connection with any treaties agreed upon at the Disarmament Conference. There was also the opinion that a modification of the Monroe Doctrine was involved. In general, it was felt that the pact had been strengthened.

LAUSANNE REPARATIONS TREATY

The treaty signed at Lausanne on July 9 has swept away the fantastic structure of reparations which was one of the major causes of the economic crisis from which the world still suffers. Despite the fact that the Gentlemen's Agreement makes ratification contingent on a readjustment of their war debts to America, no one for a moment supposes that payments will be resumed in any circumstances. The settlement involved heavy sacrifices on the part of the countries which had been beneficiaries of the reparation payments; sacrifices which they are willing to make, not because of any philanthropic desire to aid Germany, but because they were convinced that, in their own interest, they had more to gain from the removal of this barrier to the revival of economic activity.

Whether we like it or not, and there is abundant evidence that we do not like it at all, the people of the United States must decide, within the next few months, whether they are willing to pay the necessary price in a reduction of the debts for the restoration of normal conditions. However large the price may be, it is insignificant in comparison with the benefits which would accrue from a return of normal economic conditions.

Officially, the American Government maintains its attitude of aloofness, but it is an open secret that it is very well aware that the legalistic attitude can no longer be maintained. It must, however, move with great caution. It is exceedingly anxious, and very properly so, that the war debts should not become a party issue. The Republican platform was wisely silent regarding them, and it is greatly to be regretted that a non-cancellation plank was forced into the Democratic platform. Mr. Roosevelt, in commenting on the platform, has taken the ground that with a proper reduction of the tariff and the resumption of trade it will become possible for the debtor nations to meet their obligations. The fact that both parties are, in a sense, committed against cancellation does not imply that nothing can be done about it. Though "cancellation" is now a political impossibility, "revision" may not be very far off.

There is reason to believe that the administration is adopting an entirely benevolent attitude toward the campaign initiated by Dr. Nicholas Murray Butler's statement on July 17 and by Senator Borah's speeches of July 23 and Aug. 3. Both men, while nominally Republican, stand a little outside the party ranks. While Senator Borah makes it clear that his views are personal rather than official, his position as chairman of the Foreign Relations Committee gives his words great weight. When he argues that the depression has already cost the American people $150,000,000,000 and has produced a national deficit of $2,600,000,000, the annual debt payment of $250,000,000 seems of secondary importance. If we can buy a balanced budget and national prosperity at that figure, we will be getting a very good bargain.

"But do not misunderstand me," Senator Borah said in his Minneapolis speech. "I am not in favor of readjusting the debt or canceling the debt until and unless the World War problems are adjusted, until the reparations question is thoroughly settled, until the question of war guilt is finally settled, until the question of armaments is finally settled. I am not in favor of offering something

until I have reasonable assurance that there will be a return of prosperity to the American people."

There has been a good deal of unnecessary, and not altogether sincere, excitement over the Gentlemen's Agreement which accompanied the conclusion of the treaty at Lausanne. To call it a secret agreement is disingenuous. The facts are these: France wished to have a safeguarding clause written into the accord, but the British and the Italians would not admit it. As a face-saving device, to make the political situation of M. Herriot a little easier, a *procès-verbal,* which came to be known as the Gentlemen's Agreement, was initialed on July 2, by virtue of which formal ratification is made contingent upon a satisfactory settlement of the war debts to the United States. While this *procès-verbal* was not formally communicated to the German Government until July 9, references in the dispatches show that von Papen was acquainted with it before the final agreement was reached. It is entirely probable that our representatives at Geneva, unofficially of course, were also informed of it.

While, as a matter of fact, the powers will doubtless consult among themselves regarding their debts, as in any case they have a perfect right to do, the terms of the *procès-verbal* provide only that Great Britain, France, Italy and Belgium are obliged to ratify only after "a satisfactory settlement about their own debts." The method by which the United States is to be approached remains in doubt, but that they will deal with us individually, rather than as a group, there is no question.

There has been a tendency to confuse the Gentlemen's Agreement with the so-called Anglo-French accord communicated to the House of Commons on July 13. The text of this agreement is as follows:

In the declaration which forms part of the final act of the Lausanne conference the signatory powers express how the task there accomplished will be followed by fresh achievements. They affirm further that success will be more readily won if the nations will rally to a new effort in the cause of peace, which can only be complete if it is applied in both the economic and political spheres. In the same document the signatory powers declare their intention to make every effort to resolve the problems which exist at the present moment or may arise subsequently in the spirit which has inspired the Lausanne agreement. In that spirit his Majesty's Government of the United Kingdom and the French Government decided themselves to give the lead in making an immediate mutual contribution to that end on the following lines:

First, in accordance with the spirit of the Covenant of the League of Nations they intend to exchange views with one another with complete candor concerning, and to keep each other mutually informed of, any questions coming to their notice similar in origin to that now so happily settled at Lausanne which may affect the European régime. It is their hope that other governments will join them in adopting their procedure.

Secondly, they intend to work together and with the other delegations at Geneva to find a solution for the disarmament question which will be beneficial and equitable for all the powers concerned.

Thirdly, they will cooperate with each other and other interested governments in careful and practical preparation of the world economic conference.

Fourthly, pending negotiation at a later date of a new commercial treaty between their two countries, they will avoid any action in the nature of discrimination by one country against the interests of the other.

There are various opinions as to the significance of this document. That it relates only to questions "which may affect the European régime" is clear. It was at first considered to be a revival of the Entente Cordiale, but the subsequent adherence of Germany, Italy, Poland and nine other nations gave it quite a different character. In some quarters it is thought to mean a revival of Briand's European union scheme, which has been dormant since his death. Germany evidently intends to attempt to use it for the further liquidation of the Versailles treaty, as she has officially informed the British Foreign Office that this means would

be used to open negotiations for the right of full equality in armament.

THE ARMS CONFERENCE

The resolution adopted by the Disarmament Conference on July 23 is a report of progress. However much it may be regretted that it contained so little that is specific, and registered so few positive decisions, it is, nevertheless, an important and highly significant fact that under existing conditions, highly explosive as they are, so large a degree of agreement could have been reached. When the conference assembled in February, it was freely predicted that it would be a complete failure, that the tension in Europe, to say nothing of that in the Far East, would stiffen the resistance of all the great nations to any modification of the positions incorporated in their national programs.

Nevertheless, the discussions have been conducted throughout in an atmosphere of good feeling and with a desire to obtain positive results that cannot be questioned. There has been plain speaking at times, but the result has been to clarify rather than to confuse. It is significant that, whereas a few months ago the word "limitation" appeared most frequently in the discussion, the emphasis has now shifted to "reduction." The preamble of the resolution expresses a determination "to achieve * * * substantial reduction of armaments on the basis of Article VIII of the covenant * * * and as a natural consequence of the obligations resulting from the Briand-Kellogg pact." The word "reduction" appears repeatedly through the document.

The purpose of the resolution, so its text states, is "without prejudice to more far-reaching agreements hereafter, to record forthwith the following concrete measures of disarmament which should form part of the general convention to be concluded, * * * to establish certain principles as a basis for further reductions of armaments, and to determine the procedure necessary for the active prosecution of its work."

No one of the problems confronting the conference is so difficult as that involved in the proper regulation of the air forces. The attempt to draft a statement that will limit the construction and employment of military aircraft without hampering the development of civil aviation, is almost impossible. The conference records its determination, nevertheless, that "air attack against civilian population shall be absolutely prohibited"; that "there shall be effective limitation by number and restriction by character of military aircraft"; that "civil aircraft shall be subject to regulation and full publicity"; and that such aircraft as does not conform "to specific limitations shall be subjected to an international régime."

Land artillery is to be limited in number and in calibre. An effective method is to be sought "to prevent rapid transformation of guns on fixed mounting into mobile guns." Maximum limits are to be established for coastal guns, those in frontier fortresses, and for mobile land guns. Chemical, bacteriological and incendiary warfare is to be prohibited under the conditions unanimously recommended by the special committee. A permanent disarmament commission, with supervisory powers, is to be established. No reference is made to trained reserves, but "strict limitation and real reduction of effectives shall be brought about." The principle of limitation and publicity of defense expenditures and of the private manufacture of arms is accepted.

Regarding naval armament, the conference recommends a further discussion, among the powers signatory to the Washington and London treaties, "as to further measures of naval reduction which might be feasible as part of the general program of disarmament," and among the other powers as to "the degree of naval limita-

tion they are prepared to accept in view of the Washington and London treaties."

The resolution was passed by a vote of 41 to 2, Germany and the Soviet Union dissenting and eight nations abstaining. Both of the negative votes, and probably all of those that were not cast, represented a conviction that the resolution was too weak rather than too strong. Count Rudolf Nadolny, the chief German delegate, declared that he could not vote for the resolution since it did not embody the principle of equality of armament, or, in other words, the nullification of the limitations imposed on Germany by the Versailles treaty. Italy refused to vote for the resolution on the ground that it was "vain" and entirely inadequate, specifically since it did not establish principles for the settlement of the Franco-Italian naval dispute.

The British alternative to Mr. Hoover's proposal is being severely criticized at home. There is very plain speaking both in the *Economist* and in the *Week End Review,* to say nothing of the more radical journals. "If Ministers have no intention of disarming," says the latter journal, "let them say so, instead of repeating worn-out cant by the hour." The *Economist* concludes a most unfavorable analysis of the government's proposal: "In short, the British counter-proposals, instead of helping or improving the Hoover plan, go far to wreck it."

The substance of the difference between the Hoover and the British plans is the old controversy as to the tonnage and calibre of guns of battleships and cruisers. We want bigger boats and larger guns, and the British want more cruisers and lighter armament. Their proposals apply to future construction and do not provide for immediate reduction of number or tonnage either for battleships or cruisers.

Although the conference has adjourned subject to the call of the bureau on some date before Jan. 19, 1933, the work of its committees and of its bureau will go on in the interim. There will doubtless be a meeting of the larger naval powers, and perhaps of the smaller. No revision of the London treaty is contemplated, as it is definitely understood that such agreements as are reached will be incorporated as a part of the general treaty.

[For another view of the Disarmament Conference, see Major Gen. Fuller's article on pages 649-654 of this magazine.]

WORLD ECONOMIC CONFERENCE

The Economic and Financial Conference, determined upon at Lausanne, was authorized by the Council of the League on July 15. As it was originally planned, this conference was to be in effect a second session of the meeting at Lausanne, but the protest of some of the smaller powers made desirable a change in the program. The preliminary arrangements were placed in the hands of a committee, consisting of two representatives, one an expert on economic questions, the other on financial matters, appointed by the governments of Belgium, France, Germany, Great Britain, Italy and the United States, six additional members, nationals of other countries, nominated by the Council of the League, and two appointed by the Bank for International Settlements.

Out of deference to the desires of the United States, the formal agenda will not mention reparations, war debts or tariff rates, but will confine itself, in accordance with the resolution of the Lausanne Conference, to such financial questions as relate to monetary and credit policy, exchange difficulties, the level of prices and the movement of capital, and to economic questions related to improved conditions of production, trade interchanges, with particular attention to tariff policy, prohibitions and restrictions of importation and exportation, quotas and other barriers to trade, producers' agreements and the like.

The Campaign of 1932 Opens

By E. FRANCIS BROWN

ALTHOUGH September is the traditional month for the opening of the Presidential campaign, the politicians and party standard-bearers have been active during the hot Summer weeks. Party organization and campaign plans have been perfected; campaign funds have been raised; speeches of more or less consequence have been delivered. Moreover, in various subtle ways both major parties have been monoeuvring for advantages which spell support from voters on election day.

The first month after their convention was a busy one for the Democrats. Of first importance was the need for closing up the party ranks and for putting a quietus, for the time being, to the dissensions which had arisen over the selection of Governor Roosevelt as the party's candidate. By Aug. 10 the party, outwardly at least, was harmonious. Governor Ely of Massachusetts, who nominated Alfred E. Smith at Chicago, had given his support to Governor Roosevelt; Mayor Hague of Jersey City, boss of New Jersey, had pledged his State to Roosevelt, and Alfred E. Smith, without endorsing the Roosevelt candidacy, had promised to work for Democratic victory in November.

Governor Roosevelt received many visitors, either at Albany or at his home in Hyde Park. Some came to offer support; others to give advice; still others to plan with the Governor the strategy and tactics of his campaign. The Democratic national headquarters have been established in New York City, although it is the idea of James A. Farley, National Chairman, that the campaign shall be waged by State organizations in co-operation with national headquarters. Ample funds seem to be available for the Democratic campaign chest, but Governor Roosevelt apparently has insisted that, so far as possible, economy shall prevail.

The number of speeches to be made by the Democratic candidate has not been decided. In one on July 30, however, he called for a lowering of tariff barriers, insisting that tariff revision would make the cancellation of war debts unnecessary. His address laid particular stress upon economic issues, but did little more than condemn the Hoover Administration for its policies during the depression.

An embarrassment to the Roosevelt candidacy has been constantly present in the Seabury investigation of the government of New York City. (See Julian S. Mason's article, "The Scandals of New York," in August CURRENT HISTORY.) Mayor Walker, who in particular has been under fire, sent to Governor Roosevelt on July 18 his reply to the charges made against him by Judge Seabury, the director of the investigation. After consideration of the reply, of an answer by Judge Seabury and a surrebuttal by Mayor Walker, the Governor ordered a public hearing on Aug. 11 of the case for removal of the Mayor.

The Republican campaign was under cover during July, awaiting President Hoover's speech of acceptance on Aug. 11. Nevertheless, the party organization under the direction of Everett Sanders was being perfected and plans prepared for campaigning throughout the nation. President Hoover presumably will make few addresses, shifting the burden to lieu-

tenants like Secretary Mills and Secretary Hurley. On July 11, before a great audience in Faneuil Hall, Boston, Secretary Mills assailed Governor Roosevelt as not a true liberal and as a man without a program. Three days later, at Columbus, Ohio, Secretary Hurley declared that nearly three-quarters of the Democratic platform paralleled that of the Republicans; at the same time he compared Governor Roosevelt to William Jennings Bryan.

President Hoover delivered his address accepting the Republican nomination in Washington on Aug. 11. In many respects the public was disappointed in this long-awaited utterance of the President. For the most part he reviewed the record of his administration, particularly in its attempts to alleviate the suffering brought on by the economic crisis and also its measures to restore the nation's business life. As a defense it was masterly—although there were many discreet omissions—and the address as a whole gained by certain graceful allusions to the cooperation given the administration by some Democratic leaders.

Probably to the nation as a whole, the most interesting portion of the President's speech was his statement on prohibition. For the first time he admitted that prohibition had failed as "the final solution of the evils of the liquor traffic." While attacking the Democratic stand on prohibition as likely to permit the return of the saloon, President Hoover went on record as favoring, not only resubmission of the question of prohibition to the States, but a change by which "each State shall be given the right to deal with the problem as it may determine, but subject to absolute guarantees in the Constitution of the United States to protect each State from interference and invasion by its neighbors, and that in no part of the United States shall there be a return of the saloon system." Thus the President gave force and clarity to his party's stand on prohibition and, it would seem, made the question no longer an issue of the campaign.

The more insidious aspects of political campaigning in America have also been in evidence. From Republican sources have come mysterious documents asserting that Governor Roosevelt's health is too precarious to warrant his assuming the burdens of the Presidency. These documents and the "whispering" to which they gave rise were assailed by Democratic leaders, but the rumors spread. The Republicans, apparently, have determined to attack the Democrats on the basis of their "radicalism" and for this reason are following closely every move of Speaker Garner, who for political purposes is being portrayed as a dangerous menace to American institutions—people apparently forget that he is a millionaire.

Several issues which had not been expected to enter into the campaign now loom prominently. One is the proposed Great Lakes-St. Lawrence waterway which both parties favor, but over which, in matters of detail, President Hoover and the Governor of New York are at odds. Furthermore, out of the waterway proposal arises the issue of power and utility regulation—an issue that will not down. Another dangerous question which threatens to plague the politicians is that of cancellation of international war debts. Both parties supposedly are opposed to cancellation, but, owing to recent vigorous pronouncements by Senator Borah in favor of cancellation, the issue promises to figure in the campaign despite the planning of party strategists who would avoid it.

THE WORK OF CONGRESS

When the first session of the Seventy-second Congress came to an end on July 16, after seven months and a half of hard work and much disagreement between that body and the Presi-

dent, it was difficult to assign honor where due. Over 500 laws had been passed and appropriations made which totaled approximately $9,000,000,000. The principal legislation was related in one way or another to the economic crisis and included generally, in revised form, the chief recommendations of President Hoover for relieving present distress.

The final days of the session saw the passage of several important bills, most notably a measure for providing unemployment relief. The bill passed by Congress at the beginning of July and vetoed by the President because of its authorization of loans by the Reconstruction Finance Corporation to individuals or private corporations (see August CURRENT HISTORY, page 583) was quickly redrawn in Congress. The new bill authorized a total expenditure of $2,122,000,000 of which $1,800,000,000 was to be loaned to States, municipalities and other public agencies for relief work and self-liquidating projects, and $322,000,000 was to be spent on Federal public works. The bill carried a proviso, contested by many conservatives, that loans made by the R. F. C. should be reported to the President and to Congress. After a brief period of deadlock over the bill between the two houses it was finally passed on July 16 and signed by the President five days later. The law was expected to make possible the starting of many projects which would provide employment for thousands as well as permitting direct relief from States and municipalities. In spite of earlier opposition to Federal aid for the unemployed, President Hoover had come to favor some form of relief, although he signed the Congressional bill without comment.

Another of the President's recommendations for rehabilitation of the business structure was the establishment of Federal home-loan banks (see August CURRENT HISTORY, page 586). After long delay this bill was passed in the last hours of the Congressional session. The act provides for a system of eight to twelve government-supervised banks to assist in the construction and financing of medium-priced homes. Each bank is to be capitalized at $5,000,000 and supported by a government fund of $125,000,000. These regional banks have the privilege to discount securities which associations eligible for membership in the system receive from home-owners. The system is under the supervision of a board of five appointed by the President. A rider to the bill, proposed by Senator Glass, permits government bonds bearing up to 3⅜ per cent interest to be used by national banks for three years as security for expansion of national bank notes.

With the passage of these bills Congress adjourned and the country settled down to see whether or not the Hoover program for economic recovery would be successful. On some degree of restoration of the business structure and improvement in conditions of employment undoubtedly depends the re-election or defeat of the President in November.

MEASURES FOR RECOVERY

The Reconstruction Finance Corporation with its potential resources of almost $4,000,000,000 probably holds the power of life and death over the nation's railroads and the majority of its banks. And to it, in the last weeks of July, came many of the States, seeking grants under the provisions of the unemployment relief act.

Following, in part, the recommendation of President Hoover on July 11 that the board of directors of the R. F. C. be reorganized so that the governor of the Federal Reserve Board and the Farm Loan Commissioner should be eliminated, Congress passed legislation which permitted the change. As a result, on July 26, former Senator Atlee Pomerene of Ohio, a Democrat, was appointed chairman of the directors of the R. F. C., suc-

ceeding Eugene Meyer. According to rumor the post had been offered to Owen D. Young and Alfred E. Smith, but both men declined the honor. Although Mr. Pomerene is a man of ability, he was practically unknown to the country and his name inspired slight popular enthusiasm. Charles A. Miller, a banker of Utica, N. Y., was appointed to the board in place of the retiring Farm Loan Commissioner. With Mr. Pomerene's appointment the board passed to Democratic control—a fact which caused no little comment. Was President Hoover seeking to avoid Democratic attacks upon the policies of the R. F. C., or had he decided that its work would not be fruitful and therefore responsibility must be shifted to Democratic shoulders, or was he making a gesture of non-partisanship? Probably only the President and his close advisers could answer the question.

In the first five months of its existence the R. F. C. made loans totaling $1,054,814,486 to banks, other financial institutions and railroads. This sum was divided as follows:

3,600 banks and trust companies	$642,789,313.07
38 railroads	213,882,724.00
418 building and loan associations	52,484,923.40
63 insurance companies	63,465,500.00
8 agricultural credit corporations	322,440.12
5 joint stock land banks	1,270,000.00
10 live stock credit corporations	6,594,586.00
51 mortgage loan companies	73,600,000.00
3 credit unions	405,000.00

The greater part of the loans was to small banks—70.3 per cent of the bank loans were to institutions in towns of less than 5,000 population. Undoubtedly the work of the R. F. C. has staved off financial disaster—whether permanently or not, no one knows.

But the lending powers of the R. F. C. were greatly extended by the unemployment relief act which added $1,800,000,000 to the corporation's resources—$300,000,000 of which was to be immediately available for loans to the States for urgent relief work. Even before the President had signed the bill it became apparent that at least thirty States would seek loans, and on July 27 the R. F. C. made a loan of $3,000,000 to Illinois, whose relief funds were about to be exhausted. Immediately the R. F. C. came to realize that the $300,000,000 at its disposal was likely to be insufficient, and so set up the somewhat dangerous requirement that loans to States should be determined on the basis of what they had done for themselves. Acting on this principle, the board on Aug. 4 declined, despite appeals by Governor Pinchot, to lend money to Pennsylvania. Meanwhile other pleas for loans were pending, including one from Iowa for $20,000,000.

Organization of the Federal Home Loan Banks, which are related to the R. F. C. in the sense that the corporation if necessary will subscribe $125,000,000 to the capital of the banks, was begun with the appointment on Aug. 6 of a board of directors. The chairman of the board is Franklin W. Fort, Republican, of New Jersey, a banker and close friend of the President.

The work of the R. F. C. and that of the Federal Home Loan Banks is not of a nature to show immediate results, however beneficial these organizations may be over a period of time. Far more spectacular—and more important politically—are events in the business world which may lead the people into believing that at last conditions "have turned the corner." Following the adjournment of Congress something — politics, if you will—changed the sentiment of many people from despair to optimism.

On the one hand were the reiterated news items in newspapers all over the country that, in this mill or that, business was better, that new orders for goods had been received and that labor forces were being expanded.

Almost simultaneously the stock market began to hum with activity; prices rose rapidly and the number of shares sold in a day approached figures reminiscent of the by-gone era of 1929. Although an attempt to revive business by spreading optimistic reports had been tried before and had failed, some people felt that this time the stories of better business were true. Skeptics remained, however, who prophesied dire happenings once the stock market spurt had passed.

Business activity at the end of July was at a low point and formal business statements for the month were almost uniformly bad. General Motors, for instance, reported the sale of only 32,849 cars in July compared with 85,054 in July, 1931. Steel output dropped to 15 per cent of capacity—a decline of 11.8 per cent from June—although the steel industry is optimistic about Fall business. Freight loadings have continued to decline at a time of the year when they should be rising. Moreover, reports indicated that foreign trade for June was $72,801,771 less than in June, 1931, and in June imports exceeded exports by $6,000,000. Bank failures in June were the highest since January.

On the other hand, commodity prices, notably wheat, cotton and hogs, showed encouraging signs of improvement. On Aug. 8, following government reports of a small crop and accounts of the formation of a pool for purchasing the cotton held by the Federal Farm Board, cotton rose to over 7 cents a pound; a year ago cotton sold at about 6 cents. Wheat, likewise, has risen but the market is still shaky, though likely to be affected by the formation of a pool for the purchase of the 50,000,000 bushels still held by the Farm Board and for operations in the open market. Wheat prices are naturally affected by the prospects of the smallest American crop since 1925.

Much of this rise in stock and commodity prices was probably the result of organized efforts with political support, but there may have been truth in the statement of Roy D. Chapin—the new Secretary of Commerce who succeeded Robert P. Lamont upon the latter's resignation on Aug. 3—that the "depression has run its course and the upturn has come."

Unemployment has increased; in June, according to President Green of the American Federation of Labor, 11,023,000 were out of work—an increase of 1,300,000 in six months. Mr. Green declared at the same time: "No measures taken thus far have even scratched the surface of the problem. We must create millions of jobs. Shortening work hours is a first step to do it."

Meanwhile much is being heard of a five-day week as a partial solution for unemployment. The American Federation of Labor at its semi-annual conference at Atlantic City in July asked President Hoover to call a conference of representatives of industry and labor to devise a plan for the adoption of a five-day week and six-hour day. At the same time a New England joint conference on re-employment asked the President to call a conference to effect an organization which would work toward the same goal as a solution of unemployment. Representatives of the New England group called at the White House on Aug. 1, and after discussion with the President it was intimated that he would call a conference to consider the various plans for spreading work and for the five-day week.

From the beginning of the present crisis the plight of the railroads has demanded attention; in fact, the roads have caused concern for many years. On July 20 the Association of Railway Executives appealed to the public for support in their efforts to avoid preventable waste through excessive competition and at the same time described the serious situation in which the railroads found themselves. Attributing the greater part of their embarrassment to the economic depres-

sion, the roads, nevertheless, placed much of the blame on highway and water transportation, which has had constant and stupendous grants of aid from the government. The railways, according to the statement, are not in difficulties because of overcapitalization but because of the depression, the competition of other means of transportation and unfair government regulation.

Government aid has been extended to the roads through the R. F. C. and, perhaps of a more permanent nature, through a decision of the Interstate Commerce Commission on July 21, which approved the consolidation of the railroads of the Eastern United States, excluding New England, into four great systems. Commissioners Eastman and McManany dissented from the decision on the ground that the four dominant railroads — the Pennsylvania, New York Central, Baltimore & Ohio and the Chesapeake & Ohio-Nickel Plate—have already put much of the plan into effect illegally and that under present conditions radical revision of the railway system would be unwise.

The approved consolidation involves about 300 lines and brings to an end years of negotiation and planning. Opinions conflicted as to the ultimate effect on the roads of the setting up of the great systems. To many it seemed probable that the Interstate Commerce Commission had acted too late to save the roads from the disaster that impends from their steady and continued loss of earnings. In any event, the consolidations cannot become effective until after a slow laborious exchange of stock.

While the world of economics and politics was filled with uncertainty and while powerful forces beyond human control were slowly changing society, the "forgotten man" went his way. If he were a wage earner, he hoped against hope that the rumored pay-cut would not become fact; if he happened to be a shopkeeper, he sought ways to improve business enough to keep his store open; and when he considered public affairs, it was to wonder whether a vote for President Hoover or for Governor Roosevelt was more likely to restore some of his old-time security—or whether in despair his vote had not better be cast for Norman Thomas.

The Expropriation Issue in Mexico

By CHARLES W. HACKETT

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THE protest of President Ortiz Rubio on June 17 that the expropriation laws passed in the States of Hidalgo and Vera Cruz were unconstitutional and needed revision seems to have made little headway with the Governors of those two States. The reply of Governor Adalberto J. Tejeda of Vera Cruz on June 29 was designated authoritatively as "evasive" and "vague." Equally vague was the reply of Governor Lugo of Hidalgo.

When Governor Lugo persisted in the seizure, under the expropriation law, of the British-owned Cruz Azul cement plant in Pachuca, an injunction against the action of the State was sought and obtained from a district judge in that city on July 8. The State thereupon gave notice of appeal to the Supreme Court. The following day the Legislature of Vera Cruz adjourned leaving its expropriation law untouched. Vigorous protests were filed with President Ortiz Rubio on July 22 after Governor Tejeda con-

fiscated, under the law, fifty-four lots of property in the vicinity of Boca del Rio. On June 27 Finance Minister Pani blamed the expropriation laws for the fall in the exchange value of the peso to about half its normal figure.

Under a general credit and banking law promulgated on June 29 by President Ortiz Rubio, foreign banking institutions engaged in business in Mexico must submit themselves to the exclusive jurisdiction of Mexican courts in all business "effected within the national territory." By this action Mexico applied to foreign banking interests the so-called "Calvo Doctrine," which had previously been enunciated with regard to other foreign businesses in Mexico in the alien land law of 1925 and in the petroleum code of 1925-1928. The act further provides that foreign banks may operate in Mexico under a Federal concession which can be revoked if the majority of shares pass to a foreign government or if the institution makes representations through any foreign Chancellory; also that "branches of foreign institutions of banking operating in Mexico should not be outside the general banking system," of which the Bank of Mexico is made the head.

Mexico experienced three major strikes during July, all of which were definitely or provisionally settled before the end of the month. A strike of Pullman and sleeping car employes, which began on June 30 on all lines of the Mexican National Railways, was settled on July 2. When the employes of the Mexico City street railways walked out late in June in protest against a wage cut, all street car service in the capital was effectively stopped until July 19. The strike was ended by a ruling of the National Board of Arbitration and Conciliation that it was illegal because the employes had failed to comply with certain legal forms. The employes, who, by the decision, lost their wages during the period of the strike, were given twenty-four hours in which to return to their positions or forfeit the right to do so.

A strike on the Southern Pacific Lines of Mexico began on June 27 and effectively paralyzed business on the West Coast of Mexico for three weeks. President Ortiz Rubio on July 19 finally ordered the Department of Communications to take over and operate the lines pending a settlement of the strike, which began as a protest against a 10 per cent wage cut. Two days later the National Board of Arbitration and Conciliation ruled that the strike was legal, but ordered the men to return to work without prejudice to their case and stated that for them not to do so would be regarded as "not lending their aid to the government." This decision, in strong contrast with that in the case of the street railway employes, was regarded as a victory for the Southern Pacific employes. Trains began operating again on July 21.

A demonstration against the decisions of the board in the two strikes was held in Mexico City on July 24, when 10,000 men, women and children paraded through the main streets with banners demanding "a revolutionary construction of the Mexican labor law." Javier Sánchez Mejorada resigned on July 27 as managing director of the Mexican National Railways following protests made against him by the labor unionists.

The national Congressional elections held on July 3 resulted in a sweeping victory for the National Revolutionary party (the government party). It was unofficially reported on July 4 that no opposition candidate was victorious anywhere. Fights between members of the dominant and opposition parties resulted in the death of one man and the injury of sixteen others. In a post-election battle between factions of the National Revolutionary and the Anti-Re-electionist parties on July 7 at Aguascalientes, five persons were reported to have

been killed, eight seriously wounded and scores slightly wounded.

The law enacted last December which limits the number of Catholic priests and churches within the Federal District to twenty-five was declared constitutional in a decision handed down by the Mexican Supreme Court on July 9. Fifty applications by private individuals asserting that the law was unconstitutional were dismissed. Hundreds of similar applications are still pending before the Supreme Court.

NICARAGUAN POLITICS

Rivalries developing in the Liberal party (the government party) resulted late in June in separate conventions being held in León and Managua and in each faction claiming to be the legal instrument of the party. As a result, Admiral Clark H. Woodward, chairman of the United States Electoral Mission, intervened and on July 4 gave the rival factions three days to clear up their differences. In an effort to heal the breach the government faction on July 7 nominated Dr. Leonardo Arguello of León for the Presidency and Dr. H. A. Castellón of Managua for the Vice Presidency, but by July 13 the break had reappeared, with each faction claiming to be legally constituted. Admiral Woodward, on July 18, intervened again in a more positive manner. Addressing an identic letter to the rival governing boards of the Liberal party, he declared both of them illegal and called for a new plebiscite to be held not later than Aug. 7 to choose a legal Liberal governing board. Admiral Woodward justified this by pointing out that the United States Electoral Mission, supervising and conducting the forthcoming national elections, must deal directly with the national governing bodies of the two historic parties (Liberal and Conservative) and that the presentation and certification of party nominations to public office could be made only by the national governing body of the concerned party, legally constituted in accordance with the party's statutes. "After a minute and complete analysis of the facts and the law," he added, "I find and resolve that neither of the foregoing bodies is legally constituted. Consequently, it is necessary to hold a lawful party plebiscite at the earliest practical date to elect party authorities." Such authorities, he said, would "be accorded full recognition by the United States Electoral Mission as the national governing body of the Liberal party." A Liberal party plebiscite was to be held for the interior of Nicaragua on Aug. 1 and for the East Coast on Aug. 7 to select delegates to the National Liberal Convention which is to nominate candidates for President and Vice President. Dr. Arguello, who had been nominated by the goverment faction early in July, dissented from this proposed action and requested his followers not to vote in the plebiscite.

A decree granting general amnesty to all citizens absent from Nicaragua for political reasons was signed by President Moncada on July 17, thus permitting them to vote in the November elections. A few days later the government offered to pay for the repatriation of a number of prominent Nicaraguan political exiles including Salamón de la Selva, labor leader, and Adolfo Artega Díaz, an editor and nephew of former President Adolfo Díaz.

COSTA RICAN FINANCES

A bill to authorize the suspension of interest and amortization on both the British bonds of 1911 and the American bonds of 1926 and 1931 for three years, begining January, 1933, and November, 1932, respectively, was submitted to the Costa Rican Congress by President Jiménez on July 8. During the moratorium the funds that would have been applied to the foreign debt service will

apply to payment of the present debts of the government and those contracted during the Summer of 1932. Suspension of service on the British loan will make available £60,000 ($210,000) every six months, or a total for the three-year period of £360,000 ($1,260,000). The service and interest on the American loan amounts to $682,140 a year, or $2,046,420 for the three-year period. By this suspension of interest and amortization payments the government hopes to reduce by one-half its internal debt and to balance its budget.

The year 1931 showed a favorable trade balance of 22,410,764 colones ($5,602,682), despite lower prices for products. Although Costa Rica buys more than one-half of its imported goods from the United States, it sells less than one-quarter of its exports to the United States. In 1931 Great Britain bought more than 60 per cent of Costa Rica's exports.

DOMINICAN REPUBLIC'S BUDGET

A balanced budget and a small treasury surplus for the Dominican Republic for the half-year ended June 30, 1932, were announced on July 16. General administrative expenses, exclusive of debt service and minor specialized accounts, amounted to $2,472,700 during the first six months as against revenues of $2,590,000, thus giving a cash balance of $117,000. Including prepaid budgetary appropriations for the second half-year, the total surplus reached $225,000. Full payment of interest was made on the external dollar bonds. This record makes the Dominican Republic, with a population of 1,000,000, one of the few Latin-American countries that have met such obligations.

TERRORISM CONTINUES IN CUBA

Opposition to the use of militaristic methods by the Machado Administration in Cuba was given as the cause of the murder on July 9 of Captain Miguel Calvo, Chief of the Cuban Secret Police, and of two policemen who were riding with him on the Malceon Ocean Drive near the Maine Monument. As a result of the increase in terroristic activities in mid-July, Havana was divided into two military zones, both of which were directly supervised by General Herrera, Chief of Staff of the Cuban Army.

Expectation that the University of Havana, which had been closed for some months because of the hostility of faculty and students to the Machado administration, would reopen in the Autumn was dissipated on July 12 when, at a meeting of 118 members of the faculty, it was voted "to suspend the educational and academic activities of the institutions."

Former President Mario G. Menocal, who led the abortive revolution of a year ago, and who, since last May has been a political refugee in the Brazilian Legation at Havana, left on July 2 for Europe on a diplomatic passport issued by the Cuban Government. Under the terms of an agreement reached between the Cuban and the Brazilian Governments, General Menocal is to remain abroad for one year and keep out of Cuban politics.

Full interest and amortization payments, totaling approximately $9,500,000, on all outstanding foreign obligations were made by the Cuban Government at the end of the fiscal year ending June 30, thereby liquidating those debts for the fiscal year 1931-1932. In order to accomplish this it was necessary for the government to obtain a loan of $2,278,215 from American banks. Provision for this temporary loan has been made in the general budget of 1932-1933, repayable in the first half of the fiscal year. As a result of a sharp decline in national revenues since the beginning of the new fiscal year on July 1, the Cuban Cabinet on July 22 decided upon a cut of 10 per cent in the expenses of the government. This action means a saving of about $5,000,000.

War Clouds in South America

By HENRY GRATTAN DOYLE
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DURING recent weeks those interested in South American events have turned from observing the progress of the so-called Socialist republic of Chile to the boundary dispute between Bolivia and Paraguay over the Chaco Boreal. This problem, which has so long and so stubbornly resisted efforts at solution, is at the time of writing still unresolved, although a truce was reached on Aug. 10. Past weeks have witnessed also a short but bloody revolt in Peru and military operations on a considerable scale by rebel and government forces in Brazil. South American political instability is no fable.

The curious concept that unless war is declared or admitted by the belligerents no war exists has apparently taken root in South America. Attacks and counter-attacks by Bolivia and Paraguay on Chaco *fortines* (often mere blockhouses or outposts) have not resulted in formal declarations of war, in spite of the flaring-up of the war spirit among both populations. This has been fortunate. It has enabled the full force of public opinion in the other republics of the American continents to be brought to bear upon the principals in the dispute through the unanimous action of the other nineteen nations in the Pan-American Union—if not early enough to prevent untoward "incidents," at least not too late to hold open the door of conciliation and perhaps of ultimate arbitration.

Prospects for peaceful solution are, it must be confessed, not overly bright. The whole dispute is so involved in claims and counter-claims, in arguments based upon historical boundaries, usually going back to Spanish colonial days, as opposed to *de facto* occupation and colonization, and has such a long history of diplomatic negotiations begun under the best auspices and ending in frustration, that it is doubtful whether any group of mediators would have greater success than the representatives of the five neutral nations (Colombia, Cuba, Mexico, Uruguay and the United States) which constituted, with the delegations of the two principals, the "Commission of Inquiry and Conciliation, Bolivia and Paraguay" which sat in Washington from March 13, 1929 until Sept. 13 of that year. The devoted efforts of this body, it is true, brought about the conciliation at which they were primarily aimed, but conciliation activities cannot become a permanent function of any group of governments, however devoted. Similar relative lack of success attended the conferences held in Buenos Aires by plenipotentiaries of the two governments directly concerned from Sept. 29, 1927 until Dec. 27 of that year, under the auspices of the Argentine Government and in accordance with the so-called Gutiérrez-Díaz León protocol of April 22, 1927. Nor must we forget that since Nov. 11, 1931, conferences between delegates of the nations have been under way in Washington under the auspices of the same five neutrals who labored so wholeheartedly in 1929.

In the last analysis, the greatest hope for a permanent settlement is found in the analogous Tacna-Arica controversy between Chile and Peru.

With a history of negotiations almost as unsatisfactory as those attending the Gran Chaco question, the Tacna-Arica problem was finally and quickly settled. Whether such a solution, which is possible only when public opinion in the two countries concerned has been brought to see the folly of continued squabbling, can be expected in the Chaco dispute is extremely doubtful. The greatest force for such a solution is the universal desire throughout the New World for a settlement, but even this has the weakness of appearing to one of the countries as an unwarranted interference with its rights. President Salamanca of Bolivia said as much in his speech at the opening of the Bolivian Congress on Aug. 6, in commenting on the identic note dispatched on Aug. 3 by all the other members of the Pan-American Union to Paraguay and Bolivia, in which the principle was laid down that they would not recognize territorial gains in the Chaco made by force of arms.

Later Bolivian comment pointed out that if the principle laid down in the identic note was valid, and if it was retroactively applied, as requested in a note subsequently sent (on Aug. 8) by four of the five neutrals calling for cessation of hostilities and warlike preparations by daybreak on Aug. 10 under an armistice based on the position of troops in the Chaco as of June 1, 1932, the policy should bring about the return to Bolivia of Puerto Pacheco, seized by Paraguay in December, 1887.

Bolivia's geographic situation readily explains her insistence on a solution that will satisfy her ambitions. Deprived of her Pacific littoral as the result of the "War of the Pacific" (1879-81), between Chile on the one hand and Bolivia and Peru on the other, she was left in a state of uncertainty which the solution of the Tacna-Arica problem by Chile and Peru, without reference to Bolivian interests in an outlet to the sea, turned to disappointment and despair. The only completely landlocked country in South America, it was natural that the defeat of her hopes for access to the Pacific should revive interest in a possible outlet to the Atlantic by the navigable Paraguay River. Her old claims to the Chaco assumed even greater importance under the circumstances. By her treaty of 1889 with Argentina she had relinquished the "Chaco Central"* to that country. By the treaty of Petropolis in 1903 she had ceded to Brazil territory in the north that might have given her direct access to the Paraguay River. There remained only the disputed territory that is now the bone of contention.

In connection with neutral activity during the crisis, two important aspects must not be neglected. The first is Secretary Stimson's speech on Aug. 8 (see pages 760-763) enunciating the doctrine, based upon an interpretation of the Kellogg-Briand pact, that inasmuch as signatories to the pact have entered into a mutual engagement not to resort to war except in self-defense, a signatory resorting to war has broken that engagement with all other signatories, and all have a right to intervene. While the Chaco dispute was not mentioned by the Secretary of State in applying this interpretation of the pact, his statement brought into relief the theory upon which the Pan-American neutrals were undoubtedly acting.

The second aspect is the remark-

*The term "Chaco" is applied to three territories lying west of the River Paraguay and separated from each other by the Bermejo and Pilcomayo Rivers. The "Chaco Austral," or Southern Chaco, lies south of the Bermejo and has been Argentine territory since colonial days. The "Chaco Central," of obvious meaning, lies north of the Bermejo and south of the Pilcomayo, and was ceded by Bolivia to Argentina as indicated. The "Chaco Boreal," or Northern Chaco, is bounded on the east and south by the Paraguay and Pilcomayo Rivers, its other boundaries being the undisputed boundaries of Bolivia.

able unity displayed by the other American republics in bringing pressure to bear upon Paraguay and Bolivia. In addition to the activities of the five neutrals represented on the Commission of Conciliation, the four countries adjoining the combatants—Argentina, Brazil, Chile and Peru—made an agreement to preserve strict neutrality in case of war, by implication shutting off transport of war materials through their territories. When the representatives of the five neutrals met in Washington to continue their efforts for adjustment of the dispute on Aug. 10, they were joined by representatives of these four.

The following is a summary of the events leading up to the truce of Aug. 10: As far back as Aug. 6, 1931, the five neutral governments represented on the Commission of Conciliation of 1929 jointly suggested to Bolivia and Paraguay the negotiation of a non-aggression pact in the Chaco. Reports were current at that time in Paraguay that Bolivia was massing troops in preparation for taking the offensive. During September several clashes occurred between the forces of the two countries, resulting in a number of deaths on both sides. On Oct. 17 the five neutrals, concerned over the delay in beginning negotiations looking toward a non-aggression pact, moved to have all the nineteen American republics not directly concerned appeal to Paraguay and Bolivia to sign such a pact and attempt a definitive solution of the problem. This action may have been the inception of the new "Stimson doctrine." On Nov. 11 the delegations met in Washington under the auspices of the five neutrals, the presiding officer being the American Assistant Secretary of State, Francis White.

Negotiations continued during the Winter and Spring. Unofficial reports late in April intimated that progress was being made, though alarming reports of troop movements continued. On April 20 the Argentine paper *El Intransigente* reported that between 7,000 and 8,000 Bolivian soldiers were on the Bolivian frontier. These and similar reports concerning mobilization of troops and concentration of airplanes were consistently denied by Bolivia. The arrival in Buenos Aires of 370 Mennonite refugees from Russia destined for colonization in the Chaco led to a statement by the Bolivian Foreign Minister which criticized the League of Natons for sending the settlers to the Chaco without Bolivia's consent. At the same time he announced that further colonization west of the Paraguay River would be under the auspices of Bolivia, not Paraguay.

A proposed non-aggression pact submitted to the two governments at the end of May was reported to have included provision for a neutral commission to sit in Buenos Aires instead of Washington, but this was not accepted. On June 15 Bolivian sources reported Paraguayan advances in the interior of the Chaco far beyond the usual line of occupation. On July 8 the Paraguayan representatives at the Washington conference were withdrawn because of reported Bolivian aggression in the Chaco. Reports of clashes continued. On July 20 it was reported that 300 Paraguayan troops had attacked Fort Mariscal Santa Cruz and immediately the war spirit flamed in La Paz. Instructions to its representatives at the Washington conference to withdraw were canceled by Paraguay on the same date, but it was reported that the Bolivian delegation would be recalled.

Various border skirmishes took place, and on Aug. 1 the Paraguayan Congress granted the President power to mobilize the reserves. On Aug. 2 the five neutrals renewed their appeal for suspension of hostilities, addressing Bolivia alone. On the same day Paraguay protested to the League of Nations that Bolivia had violated Articles 10 and 11 of the League Covenant. In reply to a League telegram Paraguay agreed to arbitrate the dis-

pute, while Bolivia "did not decline" to do so, but insisted that Paraguay had committed the first act of aggression on June 29. On Aug. 3 Bolivia refused the appeal of the five neutrals for an armistice. This was followed by the identic note of the nineteen neutral republics and the action of the five neutrals in insisting on an armistice on Aug. 10.

CIVIL WAR IN BRAZIL

Because the Vargas Government had failed to restore constitutional government in Brazil, a revolt began in the city of Sao Paulo on July 9 and spread over the entire State of that name as well as over parts of the State of Minaes Geraes. By the end of July it was estimated that the Federal forces had about 65,000 men in the field and the "Paulistas" about 40,000. Unlike other such movements in South America, the armies on both sides were well equipped and well officered. Modern artillery, tanks and airplanes were utilized in the campaign, in which neither side had at the time of writing won a decided victory, though it appeared that the rebels were being steadily pushed back within the confines of the State which initiated the revolt, Sao Paulo. The censorship imposed by the Federal Government, combined with attempts to minimize the extent of the revolt, has led to the usual crop of unreliable reports. On Aug. 9 it was reported "on reliable authority" that a basis for cessation of hostilities had been reached in negotiations between representatives of the government and of the rebels, but as similar reports had appeared at intervals throughout the five weeks of the revolt, only to be contradicted by renewed hostilities, too much credence could not be bestowed on them.

The State of Sao Paulo, which seems to be united in opposition to the President, was the home of the President whom Dr. Vargas overthrew, as well as of the President-elect Senhor Prestes, whose assumption of office was prevented by the Vargas revolution. Even more important than this factor, however, is the strong feeling of State autonomy which has operated to maintain Brazil as a group of federated States rather than to permit the development of her national consciousness as a single entity.

The ability of Sao Paulo to place an imposing army of trained troops in the field is due to the maintenance of State militia almost independent of national control. Under the circumstances a long campaign is to be looked for unless a compromise peace is negotiated. Readers of this chronicle will recall that a similar expectation was expressed at the beginning of the 1930 revolution.

THE PERUVIAN UPRISING

A bloody uprising in Peru, in which rebels held the city and port of Trujillo, about 300 miles northwest of Lima, for four days proved to be the most serious crisis the government of President Luis M. Sánchez Cerro has had to meet. Loyal troops, supported by airplanes, finally succeeded in dislodging the rebels on July 10. During the brief time they held control, the rebels were reported to have burned and pillaged and to have massacred about 150 citizens and military prisoners, including the mayor of the town. After court martial, 44 men involved in the uprising were shot on July 27, while 57 others who had not yet been taken into custody were condemned to death. On Aug. 4, five more rebels, involved in a subsequent revolt at Huaraz, were executed by a firing squad.

Responsibility for the uprising was laid at the doors of Communists and of the "Apra" party, which has created most of the difficulties of the Sánchez Cerro Government. A report that the leader of the "Apristas," Raúl Haya de la Torre, had been executed for complicity in the plot, has been denied.

The Imperial Conference at Ottawa

By J. BARTLET BREBNER
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THE business of the Ottawa Conference, from its opening on July 21 to the week-end of Aug. 7, consisted mainly of rather vociferous statements by the Dominions of what they demanded from Great Britain and avoidance of specific details as to what they were prepared to give. Increasingly stern differences of opinion between Great Britain and Canada and between Great Britain and South Africa emphasized existing economic rivalries.

Great Britain, secure in the fact that she buys from the Dominions £100,000,000 worth of goods more than she sells to them, and with her tariff against the Dominions in suspense only until Nov. 15, asked for larger markets for her coal and manufactured goods by either free entry or substantial preferences. She made it clear that she could not offend the United States, France, Germany, Scandinavia or Argentina, with whom her trade is more important than with any Dominion. She also was disinclined to do anything to disturb the delicate relation existing with the Soviet Union. She was determined not to limit her general tariff freedom by particular agreements and hoped to effect her ends by lowering tariffs rather than by raising them.

Canada, troubled by the steady narrowing of her outlets in the United States, asked Great Britain for larger markets, by tariff preference or quota on foreign imports, for her lumber, wheat, base metals, cattle, tobacco, bacon and cheese. South Africa established the fact that, when gold and re-exports were adjusted, she bought much more from Great Britain than she sold to her, and asked for preference in meats and other food products over non-empire competitors. Australia and New Zealand asked for markets for meat, wool and wheat. India confined herself mainly to explanations that, because her export trade was so widely distributed, she must avoid offending non-empire customers. She was also concerned with obtaining higher protection against British textiles. Southern Rhodesia wanted markets for tobacco, copper and primary agricultural products. All that Newfoundland could do was to point out that 75 per cent of her national revenue came from customs and excise. With a tariff war on between Great Britain and the Irish Free State, the Irish delegates had nothing to say in general, although they were reported to be bargaining with separate Dominions. All the industrialized Dominions were determined to continue protecting their producers.

The United States stood first among the foreign countries whose trade would be diminished if the intra-imperial agreements asked for materialized. Any agreement between Canada and Great Britain must be founded on the substitution of British for American coal, steel and machinery in the Canadian market, and of Canadian for American lumber, wheat and base metals in the British market. In addition, Rhodesia, South Africa and Canada wanted to sell tobacco, and Australia, canned fruits, by means of some exclusion of American products. Next to the United States were the Soviet Union (Canada's great natural rival), Scandinavia and Argentina, with their timber, wheat, asbestos, dairy products and chilled meats.

The currency question, involving a sterling bloc and bimetalism, was referred to a special committee. The idea of "reflation" to raise commodity prices was generally popular, and all parties except Great Britain desired to stop the fluctuations of sterling. South Africa and Canada, as the world's two leading gold producers, were in a peculiar position, as was revealed by the imperial exchange quotations in Montreal on the day the conference opened. The various pounds stood in Canadian dollars as follows: South Africa, $5.52; Great Britain, $4.07; New Zealand, $3.70; Australia, $3.27. The United States dollar was at a premium of just over 14½ per cent.

The question of uniformity in tariff regulations as to "empire content" also revealed great differences. Great Britain, South Africa and the Irish Free State were satisfied with 25 per cent, Australia demanded 75 per cent, and the others asked 50 per cent. Canada led the demands on Great Britain to raise her regulation to 50 per cent. If this were granted, some American branch factories in Canada would be hard hit.

THE ANGLO-IRISH WAR

President de Valera having rejected a Commonwealth arbitral tribunal and the British Parliament having authorized 100 per cent duties on imports from Ireland, the struggle between the two countries developed rapidly into outright tariff war. The British Government announced on July 6 that it was prepared to accept any kind of an arbitral tribunal Mr. de Valera liked, so long as its members were citizens of the Commonwealth. Mr. de Valera made no response. Then William Norton, Irish Labor leader, renewed his peace negotiations and on July 15 Mr. MacDonald and Mr. de Valera held conversations in London. They failed because the Irish demand was not for an arbitral body but for a group composed of two Irish and two British representatives with an empire chairman, who should examine and discuss and report back to their governments. The British Government added a stumbling-block by asking that the June 30 payments should be made first.

The British duties (of 20 per cent) on Irish food products went into force on July 12 and practically stopped such imports. The Irish Legislature in reprisal conferred on the Executive Council dictatorial powers over the whole tariff field. It was not until July 26 that the duties could be put in force, and then they were revealed to be prohibitive against British coal and coke, iron and steel, electrical goods, sugar, cement and other commodities. The design was to ease the shock by purchasing Continental coal and steel, Czechoslovakian sugar, German electrical goods and Belgian cement. All subsequent peace moves failed, and on Aug. 5 the Dail voted an "emergency war fund" of £2,000,000.

President de Valera and his Ministers have begun a campaign of educating the people in the idea of Irish economic self-sufficiency by holding out the prospect of an Irish Free State with its own industries and agriculture instead of its existing as a cattle ranch for England. Yet no successes were reported in finding an alternative market for Irish food products. Germany and Poland were said to have been approached but to have declined to commit themselves to taking specified amounts of Irish butter. Shipping has suffered severely. Forestalling involved a rush of British imports before the Irish tariff, which cushioned the shock, but distress was beginning to be apparent.

Throughout July members of the former Cosgrave Government persisted in charges that arms were being landed in Ireland for the use of the independent Irish Republican Army, whose detachments no longer made a secret of their drilling. These charges were denied or parried in the Dail. On

July 26, however, Captain Gerald Dempsey, I. R. A., who had been arrested for possession of concealed weapons and on July 14 sentenced to three months for contempt in refusing to admit the power of the courts, was released by special order of the Irish Government. There was increasing reason to believe that the I. R. A. was exercising pressure on the government. In these circumstances the Cosgrave group, who had openly fought the I. R. A., issued a warning against "the bloody tyranny of a militaristic revolutionary minority."

Governor General James McNeill early in July publicly upbraided President de Valera, his Executive Council and his newspaper, the *Irish Press*, for discourtesies to him at the French Legation and in connection with the Eucharistic Congress. When he issued his correspondence with Mr. de Valera publication in Ireland was stopped at first. The President did not directly apologize, as he seemed unable to control some of his Ministers, nor did he try to induce the Dail to support him in removing McNeill. Instead, he asked for a time-table of the Governor General's public appearances so that no Minister need be present at the same time as the Governor General. The Army Benevolent Fund Ball was dropped because the committee was forbidden to invite the Governor General.

BRITISH CONVERSION LOAN

The 5 per cent war loan conversion was an event of outstanding interest in Great Britain during recent weeks. By July 31, the last date for the 1 per cent bonus, 75 per cent of the holders had declared themselves, with only 4 per cent of these, representing 2 per cent of those holdings, refusing conversion. The amount offered for conversion was estimated at £1,500,000,000 out of £2,087,000,000. The rise in security prices continued, being reinforced by a steady small rise in wholesale commodity prices. Extensive investment in American and Canadian securities also took place, even at the cost of a decline in the pound sterling to about $3.50. The Bank of England continued to buy gold, so that on July 29 the acquisitions since May 12 had amounted to £17,000,000. The June trade statistics showed little change in the recent trend. Exports rose a little as compared with 1931, while there was a heavy decline in imports and re-exports.

The Labor party on July 27 captured a Birmingham constituency from the Conservatives, its second success in the thirteen by-elections since the general election, which have shown a definite movement away from the Conservatives. The Liberals retained the seat rendered vacant by the death of Sir Donald Maclean. On July 30 the Independent Labor party at last voted to secede from the Parliamentary Labor party.

H. G. Wells on July 30 startled the Liberal party's Summer school at Oxford by publicly criticizing the King. Referring to the creation of the National Government in August, 1931, Mr. Wells said: "The King was so ill-advised as to depart from his proper political and social neutrality and lead a movement for cheese-paring and grinding the faces of the needy in the interest of the debt collectors. And not a soul in the Labor party has said what ought to have been said about the King, or about the miserable campaign of unintelligent economy which cast its dismal shadow over the closing months of 1931."

CANADIAN ECONOMIC CONDITIONS

A rush of Canadian products to the United States in anticipation of the new tariffs on lumber and copper somewhat obscured the national trade figures for June, but the figures for the first half of 1932 indicated that Canada was stemming the decline in her external trade. Great Britain and

other countries were taking a substantial portion of the business hitherto done with the United States. Canada's trade with the United States for 1929-1930 amounted to 60 per cent of her total; for 1931-1932 it was 50 per cent. Comparing 1929-1930 with 1931-1932, Canada's trade with the United States had fallen by 59 per cent, and with other countries by only 44 per cent. The total external trade for the year ending May 31, 1932, was $1,064,532,000, with a favorable balance of over $31,000,000.

From the statistics of gold exports to the United States for April, May and June, it appeared that the government was willing to release only about $4,000,000 a month—that is, about $1,000,000 less than the domestic gold production. The statutory gold reserve, which amounted to about $64,000,000 on July 15, had been consistently kept above its legal minimum. Under this control the fluctuations of the Canadian dollar in New York have narrowed to between 87 and 87.5 cents.

A marked decline in industrial employment has taken place since April 1, so that on June 1 the index (1925-1929 base) for the whole Dominion was 83. British Columbia suffered most, while the Maritime Provinces reversed the national trend by raising their index during May from 86.2 to 90.8. Many factories were completely idle, though most were in partial operation. The paper industry was particularly affected, running at only about 50 per cent of capacity and selling newsprint at $53 a ton, as against $130 in 1921. On Aug. 1, three leading paper companies defaulted on their bonds.

Since the national, provincial and municipal programs of relief have been neither clearly enunciated nor well coordinated, Prime Minister Bennett had no scheme to present to deputations of farmers and industrial workers at Ottawa. A "Communist" or workers' delegation of seven was received by him on Aug. 2 and soundly lectured. He declined to lift the embargo on Russian products or to discuss tariffs, taxation or relief. A subsequent demonstration by a large group involved a clash with the police and a number of arrests. Mr. Bennett said that Section 98 of the Criminal Code, under which membership in the Communist party has rendered Canadians liable to imprisonment, would not be altered. Protests against it had been sent to Canada by G. B. Shaw and well-known American liberals. Deportations of foreign immigrants, involving in some cases cancellation of naturalization certificates, continued. Over 7,000 persons were deported in 1931, the high percentage of British among them exciting considerable comment.

Sir Henry Thornton, president of the Canadian National Railways, resigned on July 19. During his ten years of office he had raised the nationally owned railroads to the position of strong competitors of the well established and privately owned Canadian Pacific.

In concluding the St. Lawrence Waterways treaty with the United States (see pages 693-696 of this magazine) it was felt that the Dominion had made a fair bargain with the United States, but a better one with the Province of Ontario, whereby the Dominion secured the new navigation for $40,000,000 of new expenditure, while the Province was to pay the additional $67,000,000 in return for the 1,100,000 h. p. developed. Canada in general welcomed the treaty as supplanting earlier terminable agreements and for the admission by the United States that Lake Michigan, which lies wholly in American territory, was part of the Great Lakes system. In addition, Canadians had feared that the new Welland Canal might, if the St. Lawrence canals were not improved, merely feed Albany and the Hudson by means of the New York State Barge Canal. Their satisfaction over the treaty was a little dimmed by the

absence of any provision for the free navigation of the Hudson. Last Spring a Canadian group arranged for the investment of $15,000,000 in elevators at the new Albany ocean port.

UNREST IN NEWFOUNDLAND

The economic distress of the Newfoundland unemployed once more found vent in rioting and destruction on July 25 and 26. The disorders were checked when the Canadian bank syndicate, which now holds a sort of receivership for the country, promised to advance $100,000 to finance a program of relief work. While the men insisted that they wanted work instead of trouble, fears were expressed lest their behavior of the last six months establish a precedent for mob pressure on government.

AUSTRALIAN FINANCIAL PLANS

Just before the beginning of the Australian Premiers' Conference, which met from June 29 to July 8 for the purpose of reaching an agreement on policies and finance and of striking a loan bargain with the Commonwealth Bank and the private banks, Mr. Stevens, Premier of New South Wales, announced that his government's deficit was £13,000,000 instead of the reported £5,000,000, with overdrafts on various accounts amounting to £40,000,000. At the conference he pledged his State to complete cooperation in the Premiers' Plan of 1931, an example which led Forgan Smith, the new Labor Premier of Queensland, also to support the plan after some clauses on unemployment had been added.

The banks, after rejecting the Premiers' original demands, offered to finance £9,000,000 in deficits, conditional on budgeting to that degree, and to lend £15,000,000 to finance an effort to relieve unemployment.

NEW BRITISH POLICY IN INDIA

The whole Indian situation was profoundly disturbed by Sir Samuel Hoare's announcement on June 28 of a new procedure for the constitutional reforms. Declaring that there must be no more conferences or committees, he outlined a speedier process. Before the Summer was over the British Government would set forth its solution of the communal problem upon which the Indian delegates were unable to agree last Winter. Thereupon the consultative committee of the last Round-Table Conference would reassemble and settle all unfinished matters. The government would then prepare a single bill embracing the constitutions of the provinces and of the federation of provinces and States, with the provision that the former might go into force even before the necessary acceptances for the latter were received and the federal financial terms completed. A joint select committee of both houses of Parliament, representing all groups of opinion, would consider the bill in the light of representations made to it by witnesses (including Indians). When satisfied that the bill met the situation, the government would submit it to Parliament.

This abrupt change of policy was preceded by the announcement that the civil disobedience ordinances would be renewed on July 3. In addition, the Indian Government had been systematically preventing district conferences of the Congress party, even by force of arms. Sir Samuel Hoare's statistics were a mournful prelude. Arrests: January, 14,800; February, 17,800; March, 6,900; April, 5,300; May, 3,776; 31,194 in prison on May 31.

The Indian response to Sir Samuel Hoare's announcement surprised and embarrassed the British Government. The Indian moderates formally dissociated themselves from the new method and from further cooperation. Sir Tej Bahadur Sapru, whose services as conciliator have been strikingly successful, and two fellow-members resigned from the consultative committee, and the greatly respected Srinivasa Sastri regarded the change

as a betrayal. Thirteen Indian members of the conference protested to the British Government, saying that they could not cooperate in such procedure. Sir Samuel Hoare, in an attempt on July 13 to sum up the intervening official efforts to clear up "misunderstanding," practically reaffirmed his earlier stand.

Prime Minister MacDonald on Aug. 3 held a meeting with the Indian committee of the Cabinet, following the submission on July 27 by the Finance Committee of the Round-Table Conference of the last of the three committee reports. The Cabinet had to face the opinion of the Indian Moderates that unless conference continued, the bill, which was sure to pass in the present Parliament, would be regarded as a British instead of an Indian creation and would lose in popularity thereby. It decided that before matters were referred to the joint select committee, a new conference should be held in London composed of about twenty Indians and ten British to discuss concrete proposals. The Cabinet also approved the communal award, which was described as being so fair to the various minorities that it would satisfy nobody.

Herriot's Leadership of France

By OTHON G. GUERLAC
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WHEN the French Parliament adjourned for the Summer on July 16, Premier Herriot might well congratulate himself. He had triumphed both at Lausanne and in Paris. At home it was no easy task, for he had to contend with opposition among members of his own majority.

The financial program of the government presented the Premier with the first chance to test his hold over Parliament. This program was embodied in a bill to balance the budget and to overcome the deficit caused by the economic crisis and perhaps also by the imprudent policies of previous administrations. The deficit was estimated at 4,500,000,000 francs (over $175,000,000 at par) for the current year and at 8,000,000,000 for 1933, and since the treasury was almost empty, drastic measures were necessary.

The bill for the "re-establishment of the budgetary balance," as it was called, was introduced on July 1. It proposed raising 1,025,000,000 francs (about $40,000,000) for the treasury and 4,274,000,000 francs for the balancing of future budgets. This was to be accomplished by reduction of expenditures and expansion of revenue through additional taxes.

The reductions were to affect the budget of national defense, veterans' pensions and salaries of public officials, including the President of the Republic and the members of Parliament. The revenues were to come from an increase of income-tax rates, the cancellation of the tax exemption granted heretofore to certain groups, an additional impost on stock exchange transactions as well as on the revenue from foreign investments and, finally, from increased postal and telephone rates.

The budget committee and the Chamber of Deputies so mutilated the bill as to make it unrecognizable and ineffective. Strangely enough, supporters of the Ministry—Socialists and Radical-Socialists — thus tampered with the government measure. They accepted without hesitation all the proposals affecting national de-

fense, for which appropriations were reduced by approximately 10 per cent; they likewise approved of the tax rates in the higher brackets. But they seemed loath to accept those economies which reduced, however slightly, the pensions of war veterans, and of remarried widows of veterans and the salaries of State officials—generally speaking, anything that might be unpopular.

This attitude of members of his own group caused Premier Herriot some anxious moments and at one time the fate of the Ministry itself seemed to hang in the balance. Herriot had to rush back from Lausanne in the midst of the negotiations there to confer with the Cabinet on what concessions could be made to appease certain sections of his majority.

He succeeded only partially. When the bill came before the Chamber the Premier refused to accept an amendment offered by the Socialists which provided as a measure of economy the temporary suppression of the training of the army reserves. But when the final ballot came on July 11, the bill passed by 306 to 172. Among the 172, however, was the whole Socialist group, while the former Tardieu majority either supported the Ministry or abstained from voting.

Thus in the first test of the alliance on which the fate of the Herriot Ministry seem to depend was it seen how uncertain the Socialist support can be. A few days later, however, before adjourning on July 16, the Chamber voted by 381 to 30 an issue of 2,000,000,000 francs in treasury bonds for the needs of the coming months, and this time the government had its old majority again, the Socialists rallying to its support while the Right generally abstained from voting.

HERRIOT AT LAUSANNE AND GENEVA

Just as the domestic and Parliamentary situation which looked at first so ominous finally left M. Herriot victorious, the foreign negotiations, on which he had entered with a heavy heart, turned out quite as satisfactorily and indeed increased his prestige with the French people. When he returned from Lausanne on July 10 and was met at the station by an imposing delegation of every governmental department, he was greeted almost like a conqueror. Even the Opposition press, which did not relish the abandonment of reparations in exchange for a final lump sum, could not help acknowledging that the Premier had sustained the claim put forward by France for the maintenance of the principle that contracts should not be repudiated by unilateral action.

Speaking before the Chamber, the Premier explained the Gentlemen's Agreement and the so-called confidence pact, pointing out that he had worked hand in hand with Great Britain, to maintain what he called "the European order." The skeptics remark that these instruments are not as yet decisive and that their validity depends greatly on what the United States will do. But Herriot and his friends consider the Lausanne treaty a great moral success and, in the words of the Premier himself, "one more step toward that aim of all peoples—peace."

The Geneva disarmament conference, however, did not satisfy all the hopes of the French apostles of peace, nor did it please those who have been skeptical from the outset. It had given M. Herriot the opportunity to present the French attitude with his characteristic sincerity and humanitarianism, and a chance to exhibit his spirit of conciliation in dealing with Germany and his constant care to present to the world what the French Democrats call *la vraie figure de la France.* Needless to say, however, Herriot does not reflect French public opinion as a whole, especially that portion represented by the most widely circulated newspapers. There still linger distrust

of Germany and anger at German refusal to be grateful for all French concessions.

As for America, the sentiment is that, in all justice, the concessions made by France and Great Britain on reparations should be paralleled by the reduction of the debts to the United States. Senator Borah's speech of July 23 was hailed with mingled feelings of gratification and resentment. The gratification felt at what was termed his "conversion" was counteracted by the sentiment that his claim that Europe should disarm by 50 per cent was an unwarranted intrusion upon what Europe considers her own affairs. *Le Quotidien,* a Radical-Socialist paper, which has shown of late some anti-American bias, declared: "We are not ready to exchange our security, which means the lives of our wives and children, for the settlement of our debts."

QUOTAS AND TRADE

The present Cabinet does not consider the system of regulating imports by quotas, freely used by former administrations, as its permanent policy. Such at least was the statement made before the tariff commission of the Chamber by Julien Durand, Minister of Commerce.

In support of M. Durand, *Le Temps,* after showing the many inconsistencies and mistakes which result from a system incapable of adapting itself rapidly to the ever-changing conditions of the market, pointed out that "it would be dangerous to make the quota system either universal or permanent. The stabilization of the imports and the distribution of licenses might lead to a monopoly of foreign trade either by the State or by the large corporations." The same idea was expressed in a letter written to Premier Herriot by M. Etienne Fougère, president of the National Association for Economic Expansion, which represents thirty-eight groups of exporting industries.

How badly French trade has been hit can be seen from the latest figures. Foreign trade in May dropped 627,000,000 francs (about $25,000,000) below that of April—355,000,000 francs on imports and 272,000,000 francs on exports. The total exports, which amounted to 1,470,000,000 francs, were the lowest since long before the war. They represent, for instance, 300,000,000 gold francs, whereas the monthly average for 1913 was 550,000,000 gold francs. Compared to May, 1913, the May figures for this year represented a decrease of 962,000,000 francs, and compared to May, 1930, there is a drop of 2,205,000,000 francs—about 60 per cent.

DOUMER'S ASSASSIN TRIED

Paul Gorgouloff, the Russian fanatic who on May 6 shot and killed President Paul Doumer, came up for trial on July 25 before the Seine Court of Assizes. Three days later the jury, after a deliberation of twenty-five minutes, rendered a verdict of premeditated murder without extenuating circumstances. Gorgouloff was sentenced to be put to death on the guillotine.

DEATH OF JUSSERAND

J. J. Jusserand, former Ambassador of France to the United States, died in Paris on July 18, at the age of 77. His name is intimately linked with Franco-American relations during the first two decades of the twentieth century. After a diplomatic career which began in 1876 and took him to London, Constantinople and Copenhagen, he was appointed to Washington in 1902, succeeding Jules Cambon, and remained there until 1925, when he retired to spend the rest of his days in his native land.

While diplomacy was Jusserand's profession, his real vocation was scholarship, and his literary production was abundant and of high grade. It dealt mainly with English litera-

ture. His *Literary History of the English People* and his work *Shakespeare in France* are standard books of reference everywhere. What is less known is that he edited a very valuable series of biographies of famous French writers to which the most prominent French scholars contributed and for which he himself wrote a life of Ronsard.

BELGIAN WORKERS ON STRIKE

A far-reaching strike that began on the last day of May and continued beyond the middle of July has caused the Belgian Government serious concern. Starting because of a 5 per cent wage cut in the coal region around Mons, known as the Borinage, the trouble spread very rapidly, not merely to the other coal mines of the Hainaut, but also to other sections and to other trades, stopping furnaces, glass and cement plants, electric and gas works. The bitterness of the struggle was aggravated by the intervention of Belgian and foreign Communists, and the movement at times took on a revolutionary character. Large numbers of strikers and policemen were wounded, regiments of the regular army were called out and martial law declared. In centres like Charleroi and Mons, streets were torn up for barricades, and women led in the attacks on the police. The residence of the director of one of the factories was invaded and his garage burned down. King Albert cut short a vacation in Switzerland so that he might personally direct the military forces.

The seriousness of these disorders is explained by the economic condition of the Belgian miners. According to a Socialist Deputy whose account was published in *Le Populaire* of Paris on July 15, wages have been reduced during the last year by 30 to 35 per cent, and in almost all the mines there was work for only five days in the week. Thousands have been totally unemployed.

The government finally succeeded in bringing together representatives of employers and workers, and on July 15 an agreement was reached. It provided for the cancellation of past reductions in wages and the maintenance of the present scale until November of this year. While this settlement seemed to meet the demands of most of the strikers and work was resumed in many sections, the unrest did not subside immediately. Meanwhile, the government attempted to assess the responsibility of the Communists in the upheaval and eventually expelled several, including a member of the Czechoslovak Parliament.

BELGIAN POLITICS

Before the Belgian Parliament adjourned on July 20 the Renkin Cabinet tried to obtain from the heads of the different parties special powers permitting it to deal with financial emergencies during the recess. A first suggestion that the King be clothed with full powers to handle all such problems for four months was frowned upon by the various party leaders; consequently Premier Renkin asked that the Parliament authorize the government to make such arrangements for short-term loans as the critical situation of the budget would require. When this was refused it was decided that Parliament be reconvened if necessary, because Belgium had shown itself unwilling to surrender its Parliamentary prerogatives or to flirt with the methods of dictatorship.

The Belgian linguistic problem was finally settled on July 18, when the bill which the House had already passed triumphed in the Upper Chamber. The principle of linguistic territoriality is thus victorious, and the French language in Flanders will undoubtedly be absorbed by the majority language, for Flemish will dominate both the primary and secondary schools. The new law provides, however, that elements of the second language may be taught in the primary schools, and in secondary schools a second language is obligatory.

The German Business Debt Problem

By SIDNEY B. FAY

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THE most important midsummer event in Germany was the Reichstag election of July 31. Its significance is discussed in a separate article in this issue (see page 655). There were also two other matters of importance—the movement within Germany for a reduction of the interest on Germany's foreign commercial debts, and the reparations settlement at Lausanne on July 8 (for text and general bearings see August CURRENT HISTORY, page 573).

With the reparations question temporarily out of the way, the Nationalists and part of the press have been agitating for a scaling down of the interest rates on Germany's foreign commercial debts. Among the reasons for this is the fact that one of ex-Chancellor Bruening's emergency decrees reduced the rate for all German internal indebtedness to a maximum of 6 per cent, and some of the interest rates on the foreign debt run slightly above that figure. Naturally, the Nationalists do not want to pay more abroad than is paid at home. A more compelling reason lies in the fact that during the present year, owing to the general world economic depression and the high tariff walls everywhere against Germany, the balance of exports over imports, together with the revenues from shipping and other services, are proving insufficient to meet the interest and amortization charges on the foreign debt. From the provisional summary compiled by the Reichskreditbank, the interest payments to foreign countries during the first half of 1932 aggregate 700,000,000 marks ($166,000,000), against which export surpluses and services produce only 615,000,000 marks ($146,370,000) in foreign exchange. Hitherto the Reichsbank has been dipping further and further into its foreign exchange balance to meet the deficit, but this balance has now fallen so low that this practice can hardly continue.

Therefore the Nationalist leader, Alfred Hugenberg, proposed, no doubt partly with an eye to winning popularity in the Reichstag election, that the von Papen Cabinet should issue an emergency decree setting a date after which all foreign debts of German industry would bear only 2 per cent interest plus 3 per cent annual capital service until the debt was wiped out.

The question of Germany's ability to find foreign exchange with which to meet foreign interest and amortization charges was discussed also at the beginning of July by the German delegates at the London quarterly conference on the working of the standstill agreements. But at the moment of writing it does not seem likely that the German Government will attempt any general unilateral reduction of interest rates. It would be contrary to the policy of the government itself and even to Hitler's own previous declarations that, if reparations were done away with, the commercial debts would be scrupulously respected. It is recognized that the maintenance of the interest payments and the ultimate amortization of the German private debt is a matter not only of honor but of self-preservation. The Reichsbank also takes the view that, despite the present financial hardships, the time is not yet in sight even to con-

sider tampering with Germany's private obligations, which in any case are not matters for government interference. German private bankers take the same view as does the Reichsbank. It is probable that German industry itself, which is at present one of the most powerful influences in the Reich, would be heard from in no uncertain tones should any proposal that the government undertake to intervene in the private debt situation assume serious form.

Though this is the prevailing feeling in German banking and industrial circles, it will not prevent individual concerns from seeking to come to a private arrangement with their foreign creditors if they are unable to secure from the Reichsbank the foreign exchange necessary to meet punctually their interest and amortization charges. Such arrangements have already been made in the case of two bond issues, and others like them may have to be made when debts fall due and the debtor is unable to secure from the German Foreign Exchange Control permission to export the necessary funds at once.

The reparations settlement met with less enthusiasm in Germany than one might suppose. This was due to several facts. The ratification of the settlement by the creditor is made contingent upon a satisfactory arrangement in regard to the war debts owing to the United States, which is still problematical, in spite of Senator Borah's vigorous speeches and the undoubtedly growing sentiment in America in favor of the cancellation of debts which will never be collected. Germans had been led to believe by the statements of international experts and by their own statesmen that it was economically impossible under present conditions for the Reich to pay reparations. Also, they generally believe that she has already paid as much or more than is just and that France has received adequate compensation for her damaged areas under the armistice agreement. Hence, Hitler attacked von Papen for signing the Lausanne agreement, which he condemned as "not worth three marks." Nevertheless, as compared with the Young Plan, it represents an enormous advantage to the German State.

DEATH OF MGR. SEIPEL

Mgr. Ignaz Seipel, who died on Aug. 2 at the age of 56, continued almost to his last moment to receive friends and engage in political discussions. He is generally regarded as Austria's greatest statesman since the war—the man who put Austria on her feet in 1922 and who served seven years as Chancellor. He never forgot that he was a Catholic priest, and that was partly responsible for his uncompromising attitude toward socialism and the 40-odd per cent of the Austrian electorate which supports it.

Mgr. Seipel entered politics as a loyal supporter of the Habsburgs. An inconspicuous teacher in a fashionable school for girls, he rose to become a professor of moral philosophy and social science at the University of Vienna. There he attracted the attention of the last Habsburg Emperor, Karl, who made him Minister of Social Welfare in the Cabinet that saw the empire crash. After the collapse he succeeded in preventing a split among the Christian Socialists and was elected to the National Constituent Assembly in 1919. Three years later he became Chancellor. He made a tour of Europe in order to rescue Austrian finances and finally accepted the principle of allied intervention in the shape of a loan from the League of Nations. This contained as one of its provisos that Austria should do nothing to limit her independence, a condition which was intended to prevent—and did prevent—the "Anschluss" and the proposed Austro-German economic union. Mgr. Seipel, like many Austrian Roman Catholics, was always opposed to

any union of his country with Germany. He feared that, if Austria joined Germany, the influence of the Austrian Catholics would be swamped by their northern neighbors, who were two-thirds Protestant and among whom the Socialists formed a very strong party.

After long delays the Council of the League of Nations finally approved on July 16 a loan to Austria of 300,000,000 schillings (about $42,000,000). The loan is to run for twenty years, and is to be used for the most part in consolidating the existing short-term loans and in paying interest on them. There is, however, the important string attached to it that Austria shall refrain from any union with Germany, political and economic, until 1952. It is this condition which has raised a storm of protest from the Nationalists and Pan-German elements in Austria, as well as in Germany. German newspapers have characterized it as "political usury," as the selling of political independence for financial aid. The German Government would have voted against it in the Council of the League but for the fact that Austria pleaded that it simply must have the cash immediately or be compelled to default on some foreign loans. Germany therefore did no more than register a protest by abstaining from voting.

It now appears that the feeling in the Austrian Parliament is so strong against the conditions attached to the loan that it may not be ratified after all. It is probable that Mgr. Seipel's approval of the loan, his opposition to any form of union with Germany and his continued participation in the excitement of politics hastened his end. But events conspired with tragic irony to make his death a means of enabling his Christian Socialist party to prevent the Dollfuss Cabinet and its Lausanne policy from succumbing to the combined attacks of its enemies in Parliament in connection with this loan. Lacking one vote, the government faced certain defeat at the hands of the Socialists, Pan-Germans and dissident Heimwehr men, who complained that it had contracted to sell Austrian independence for a few schillings. Then Mgr. Seipel died. Since it was possible under Austrian law to appoint a successor to him immediately, this was done, and whereas Mgr. Seipel because of his illness could not have voted, his successor did. The result was a tie, 81 to 81, which meant the rejection of the vote of no confidence and the salvation of the Dollfuss Cabinet and its policy. The ratification of the loan, however, has been postponed, probably until September.

Spain Quells a Royalist Uprising

By WILLIAM E. LINGELBACH

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SPANISH discontent with the Azaña Government and its policies increased rapidly during July and on Aug. 10 broke out in an ugly Royalist revolt. Under the leadership of General José Sanjurjo, the rebels captured Seville and several small towns, while an uprising for a short time threatened Madrid. Especially in the southern provinces many of the Civil Guard, which had been the mainstay in suppressing disorders, followed the popular ex-commander.

To meet the emergency, the government promptly declared martial law and summoned all its forces for the defense of the republic. Madrid troops moved upon Seville, while the Syndi-

calists announced that if the revolt succeeded they would at once institute a general strike. But the revolt was quickly put down and with slight bloodshed. General Sanjurjo and his aides were captured and taken to Madrid.

Dissatisfaction with the government's policies toward the church, landholders and the army has been general among the supporters of the old régime. To this has been added the bitter opposition of the Nationalists to the concessions being made to the separatists and, of late, the resentment of the conservatives and moderates to what Alejandro Lerroux denounced as the excessive influence of the Socialists in the government of the republic.

The discontent manifested itself repeatedly in the Cortes during July in the discussions of the Catalan Statute. Vigorous protests appeared in many parts of the country. In the Cortes itself, Alejandro Lerroux, former Minister of Finance and the leader of the strong Radical party of ninety deputies, warned the Ministry that unless a more moderate program was adopted, he and his followers would desist from their attitude of benevolent neutrality and become actively hostile. This change of front seems to be due to the conviction that Azaña is swinging too far to the Left, and that the nation at large is opposed to an autonomous Catalonia. Lerroux himself had striking proof of this at Saragossa on July 5 when he was shouted down by an angry crowd of 15,000 Nationalists with cries for "National Unity" and "Down with the Statute."

Notwithstanding this and other demonstrations against the statute throughout the nation, Prime Minister Azaña has held firmly to his policy. In reply to Lerroux, he pointed out that while the Provisional Government was still in power it adopted, with Lerroux's own cooperation, a minimum republican program, that when the Radical party withdrew from the government in December, refusing to join in the Cabinet under the new Constitution, the present government was formed by a coalition of several parties who are now successfully carrying out that program. The Socialists, he said, were not unduly influencing its policy. On the contrary, they had sacrificed many of their socialistic aspirations, principally the postponement of the land-reform bill. His government, he declared, would remain firm until defeated in the Cortes.

By Article I of the statute, which was passed in June, "Catalonia becomes an autonomous region within the Spanish State under the Constitution." The second article provides for the equality of the Catalan with the Castilian language throughout Catalonia. The fifth, voted on the night of July 12, is the one that called forth the heated discussions referred to above. It was passed by a vote of 185 against 95. Subject to Article XI of the Madrid Constitution, the Catalan Generalidad is in general to discharge State legislation. It will administer national laws in regard to all official communications and documents; weights and measures; mining, forestry and agriculture in accord with the national economy program; railroads, roads, canals, harbors and sanitation. It will control labor insurance, the press, associations, meetings and public amusements; the right of expropriation; socialization of natural wealth and economic enterprises under the limitations set in the National Constitution, and civil aviation and wireless, although Madrid reserves the right to coordinate communications throughout the country.

Two weeks later, on Aug. 2, the Cortes, by a vote of 129 to 84, passed the article on education, giving to Catalonia the right to create as many schools of all grades as are considered necessary and can be supported. Even the University of Barcelona may, according to this article, be turned over

to the Generalidad by the National Government.

While the adoption of the articles of the statute reflects the strength of Azaña's Government, the small vote—nearly half the 470 members of the Cortes abstained from voting—is an ominous commentary on the attitude toward the whole question of regional autonomy.

While the home rule problem has crowded all others into the background, the land-reform bill has been neglected, despite the special interest of the Socialist parties in the measure. From the beginning, agrarian reform in the new republic, which has more than 5,000,000 agricultural laborers as contrasted with less than 2,000,000 persons engaged in industry, has been recognized as imperative. Nevertheless, progress has been extremely slow. The bill, so far as it has been developed, provides for the creation of a legion of tenant farmers under the State, instead of individual proprietors. In this way, the land seized from the feudal aristocracy will remain in the possession of the government, preventing the development in Spain of many thousands of small peasant proprietors.

The report on strikes of July 11 indicates a subsidence of disorder from the Left. The harvests in Andalusia, where the Syndicalists were active, have been gathered without interference, though sporadic outbursts by Communists occurred here and there. One instance was reported of agricultural workers being set upon in the fields, but the Civil Guards readily suppressed the trouble.

MUSSOLINI DISMISSES MINISTERS

The dramatic dismissal by Mussolini on July 20 of five of his foremost Ministers and eleven Under-Secretaries caused great surprise and much speculation both at home and abroad. The men dismissed were Dino Grandi, Minister of Foreign Affairs; Antonio Mosconi, Minister of Finance; Balbino Giuliano, Minister of Education; Alfredo Rocco, Minister of Justice, and Giuseppi Bottai, Minister of Corporations.

Considerable mystery is attached to the Duce's action. In the case of Grandi, it seemed to indicate dissatisfaction over his failure to prevent the Anglo-French and Anglo-German accords which left Italy somewhat isolated at Lausanne. For some time Mussolini has insisted on an aggressive foreign policy involving the cancellation of reparations and war debts and opportunity for Italian colonial expansion. Grandi made a vigorous speech in the Senate on June 3 against "the dead-weight of reparations and war debts," demanding action on disarmament without delay and a recognition of Italy's right to expand. With a population of 42,000,000 and a country only half the size of France, Spain or Germany, Italians, he said, were becoming prisoners in an enclosed sea. The speech failed to attract much attention, but, coupled with his failure at the Lausanne Conference, it is said to have led Mussolini to take over the Ministry of Foreign Affairs himself. In addition, he has assumed that of Corporations.

Not only is the Duce's sudden assumption of two additional portfolios a complete reversal of the policy inaugurated in September, 1929, when he distributed seven he then held to others, but the violent shake-up in the Cabinet settles all doubt as to who is in control. Mussolini approaches the tenth anniversary of the Fascist régime more solitary and more powerful than ever. At the same time, in his latest move he seems to be courting the intellectuals. Six university professors have been appointed to the vacancies created by the Cabinet changes. The Fascist party, moreover, is reaching out to become more representative of the nation. The official list issued on June 24 showed a membership of 1,329,693, not including the

Balilla or the *Avantguardia,* an increase of 181,933 over the last year. Contrary to the custom of admitting only persons who had grown up in the organization, the lists this year were opened to others. Selections from outside the party ranks were made with great care. Recently, too, an auxiliary branch of the Fascist party has been organized for women.

In the meantime, Italy's insistence on immediate action in the matter of disarmament is somewhat discounted by the extreme glorification of war in Mussolini's article on Fascism in the *Encyclopaedia Italiana,* reprinted in *Il Popolo d'Italia.* Scouting the idea of perpetual peace, he declares that pacifism "implies renunciation of struggle and cravenness in the face of sacrifice. * * * Only war carries human energies to the highest level and puts the seal of nobility upon peoples who have the courage to face it. * * * Fascism," he says further, "is anti-individualistic and for the State. * * * All true value is in the State and nothing human or spiritual exists or has value outside the State."

For the glory of the State, also, the population must increase, the latest effort in the campaign against the declining birth rate appearing in the vigorous advocacy of early marriages and announcement of what an American press dispatch hailed as the "Honeymoon Special," or the provision of free transportation for newly married couples.

The Italian budget for June showed a surplus for the first time in many months. This, together with the agreement on reparations, seems to have stimulated the belief throughout Italy that the economic tide has turned. The State tobacco monopoly showed an increase of $2,000,000 for the year 1930-31 over the previous year. Of interest is the fact that less than 1 per cent—0.84—of the sales of the monopoly are of foreign tobacco, 99.16 per cent being tobacco manufactured in Italy and about 83 per cent grown in the country. While capital has suffered severely, the many failures in business have had less effect upon the national economy as a whole because the great majority of Italian industrial enterprises are small.

According to the census of 1927, out of a total of 750,000 industrial concerns fewer than 200,000 employed more than five workmen each, while of the 800,000 commercial establishments only 25,000 employed more than five persons each. Unemployment, which had reached the million mark, has subsided considerably. Moreover, the official statisticians point out that the percentage of the total population unemployed has been less in Italy than in any of the major countries except France, being only 2.55 as against 2.36 in France, 6.07 in England, 6.76 in the United States and 9.56 in Germany. Along with the marked improvement in employment, a slight improvement in the buying power of wages is also apparent. In 1931 wages had increased from 2½ lire in 1913 for a ten-hour day to 14½ lire for an eight-hour day, with the lira now worth a little over 5 cents. Allowing for the great depreciation of the lira since 1913, this indicates that there has been an increase in the purchasing power of wages of about 41 per cent.

THE PORTUGUESE CABINET

The new Portuguese Cabinet headed by Dr. Oliveira Salzar, former Minister of Finance and generally recognized as the ablest man of the last Ministry, was announced on July 5. Besides being Prime Minister, Dr. Salzar is also Minister of Finance and Minister of War. Foreign affairs are entrusted to Dr. Sazar Mendez. The absence of military men in the new Cabinet is indicative of an effort to popularize the régime which for seven years has continued to give a stable government to Portugal. On the other

hand, Dr. Salzar's government seems to enjoy the complete confidence of the military, which has promised its support.

The body of former King Manoel arrived in Lisbon on Aug. 2 on board the British warship Concord, for burial in Lisbon's Pantheon. All parties participated in the royal cortège, which included government officials, members of the diplomatic corps and the military. More than 300,000, it was estimated, lined the streets in the largest demonstration ever seen in Portugal. On its way the procession passed through the square in which in 1908 Don Carlos and his son, Don Louis, were assassinated, but old animosities were forgotten. The royal flag floated at half-mast by the side of the republican, which ousted it twenty years ago. President Carmona and the Cardinal Patriarch, with other officials, attended the funeral services. By his will Manoel's entire Portuguese estate is left to the government, the revenues going to his widow during her lifetime.

Rumanian Peasants Regain Power

By FREDERIC A. OGG
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THE people of Rumania on July 17, for the third time in less than four years, chose a new Chamber of Deputies; and, as was expected, the National Peasant party won a decisive victory. The election was the culmination of a series of political events which began at the end of May with the dismissal of the Cabinet headed by Professor Nicholas Jorga, King Carol's old tutor, and dominated by Constantine Argetoianu, court favorite and Finance Minister. The Jorga-Argetoianu Government, which had been reactionary and sympathetic with the King's dictatorial leanings, had shown itself, as was demonstrated in a report by the country's financial adviser, Charles Rist, of the Bank of France, so incompetent in financial matters that only a complete reversal of its policies could be expected to set the nation on the road to financial rehabilitation. Obliged to repudiate the discredited régime, the King turned back to his old democratic supporters, the National Peasants, one of whose Transylvanian leaders, Dr. Alexander Vaida-Voevod, formed a provisional Ministry to serve until this general election could be held.

The campaign preceding the polling on July 17 was lively, and as many as twenty different parties presented candidates. Strangely enough, not even special election police organized by the opposition groups were able to obtain sufficient evidence of electoral malpractice by the Peasants' candidates and supporters to furnish grounds for serious complaint. Governments in Rumania regularly win their elections, and in only one previous instance—the election of 1927, in which the Peasant party achieved its first national victory—was success ever attained without resort to terrorist methods and the manipulation of votes. The record of the twice victorious popular party in this respect constitutes a new and gratifying chapter in the rather sordid story of Rumanian politics.

Official announcement of the results of the election showed that the National Peasants had won 277 seats—with 45 per cent of the total popular vote, as compared with 15 per cent at the last election—the Duca wing of the Liberals 28, the Bratianu wing

13, the Hungarian party 14, the Anti-Semites 11, the Socialists 6, and sundry other parties a total of 38. As former Premier Jorga and his group received only a single seat—M. Argetoianu was re-elected—it would seem that the country had definitely decided against the King's attempts at personal government; therefore the results of the election may be construed as a rebuff to anti-democratic forces generally. Whatever the merits of its political and economic program, the Peasant party has at least always stood for democratic principles and methods. In the new Parliament there are 287 Deputies for the government and 110 against it.

Before the opening of the new Parliament on July 30—Senatorial elections having been held in the meantime—there was some expectation that Julius Maniu, the real leader of the victorious party, would supersede his lieutenant, Vaida-Voevod, as formal leader and as Prime Minister. This did not occur, though on July 27 Maniu was urged by the King to take over the Premiership and four days later he presumably opened the way to doing so by telling a deputation of the party that he was prepared to resume active party leadership. It will be recalled that Maniu in 1930 made it possible for Carol to return to the country as King, but that a breach soon arose between them and that the ex-Premier went into seclusion at his villa in the Transylvanian Alps. Because of the country's financial plight it would not be strange if the Peasant leaders cherished somewhat mixed feelings over being allowed to win a second time at the polls in order to pull the chestnuts out of the fire for the other parties.

POLES BOYCOTT DANZIG GOODS

A Polish boycott against Danzig goods and against Danzig shore resorts has been made the subject of a vigorous protest by the Danzig Government to Dr. Papee, Polish representative, and to Count Gravina, League commissioner. Observing that similar earlier protests were without effect, and that Polish civil servants are participating in the propaganda, the note charged that the movement is being directly or indirectly furthered by the Warsaw authorities.

Confronted with a grain harvest 15 per cent larger than that of last year, and with a correspondingly intensified problem of marketing at prices that will yield some profit, the Polish Government decided late in July to convoke a session of the research committee set up in 1930 by a conference of Ministers of Agriculture of eight Central and Eastern European States. The committee, meeting in August, was to prepare a plan of agricultural policy for submission to the projected economic conference, and it was believed that Poland's influence would be exerted in favor of a preferential tariff scheme on the lines of the agreement that has recently been concluded between the governments of Belgium and Holland.

PROBLEM OF YUGOSLAV UNITY

Behind the dictatorship still maintained in Yugoslavia is the idea of King Alexander that Serbs, Croats, Slovenes and Montenegrins, Moslems, Christians and Jews, Greek Orthodox and Roman Catholic can be made to forget their ancient differences and work together for the common good. The goal of an integrated, centralized Yugoslavia has, however, never appealed to certain elements, chiefly the Croatian Nationalists, and signs multiply that the program will presently collapse. Political agitation has increased in recent weeks, and bomb explosions, arrests of army officers and assassinations of political leaders have created a situation unpleasantly reminiscent of that which came to a climax four years ago in the murder of Stephen Raditch, the Croatian leader, and two of his associates on the floor of the national Parliament.

The Croats are no less bent today than before on autonomy within a federal State, with their own treasury and their own troops. On the other hand, German Hitlerism has stiffened the attitude of Serb unificationists, resulting in more ominous tension than for some time past.

Differences of opinion as to policies to be pursued led Premier Voyislav Marinkovitch and his Cabinet to resign on June 29. Though changes were expected in only minor posts, the head of the new government, created on July 2, proved to be Dr. Milan Srskitch, former Minister of the Interior, with M. Marinkovitch continuing in the rôle of Minister without portfolio. The new Cabinet group contained nine Serbs, four Croats and three Slovenes and seemed to represent a shift toward the Right. The new Premier, a Serb who played an active part in the Bosnian Parliament against the former Austro-Hungarian monarchy, has been one of the principal supporters of the present dictatorship.

During the last week of July the Standard Oil, Vacuum and Shell companies refused to make further imports of gasoline into Yugoslavia unless import duties thereon were reduced. Under threat, however, that unless the boycott was abandoned the government would declare oil a monopoly and obtain supplies for the country from Russia, the companies found themselves obliged to recede from their position.

HUNGARY'S REPARATIONS DILEMMA

On the assumption that the conference on Eastern European reparations to be held in October will deal with Hungary's liabilities to her former enemies in the same manner that Germany's obligations were dealt with at Lausanne, the Hungarian Government and people have been generally sympathetic with the Lausanne settlement. There is, however, a fly in the ointment. If the country's reparation liabilities were to be canceled, there would be no further payments into the optant funds which today are sustained with money contributed by Hungary on account of reparations. This would mean that the optants—the Hungarian landholders whose estates were in territory now belonging to Rumania—would be left without further compensation for the lands which they surrendered unless the Budapest Government arranged to keep up the payments without the present camouflage of reparations. Knowing how difficult it would be to convince the average taxpayer of the necessity or justice of continuing the burden on this direct and voluntary basis, the government is almost driven to hope that the nation will not, after all, be wholly excused from reparation obligations.

In a communiqué of Aug. 4, the League of Nations loan committee, conceding that it has no power in the matter, urged bondholders of the Hungarian 7½ per cent reconstruction loan of 1924 to acquiesce in the government's proposal that, while recognizing the full extent of its obligations and agreeing to discharge all arrears, it be permitted to postpone further payments of interest and principal until foreign exchange becomes available.

THE DEATH OF THOMAS BATA

The death of Thomas Bata in an airplane accident on July 12 cost Czechoslovakia its most conspicuous captain of industry. In government and financial circles his death was considered little less than a national disaster. Known as the Henry Ford of Czechoslovakia, Mr. Bata had developed the principal shoe manufacturing business of Europe, built up the model industrial city of Zlin, introduced a successful profit-sharing system and taken rank generally as one of the most enlightened and influential industrial leaders of his time.

The Swedish Premier's Downfall

By RALPH THOMPSON

THE long process of untangling the affairs of the late Ivar Kreuger has brought forth few more startling revelations than that the former match magnate, while in New York last February, had sent Carl Gustav Ekman, the Swedish Premier, a check for 50,000 kronor (nearly $9,000), and six months earlier had given the same amount to the People's party, of which Mr. Ekman is the leader. On Aug. 6, as a direct result of the disclosure and after consultation with King Gustaf, Premier Ekman resigned and the Swedish Cabinet was reconstructed under Felix T. Hamrin, the Finance Minister.

Two weeks before, on July 22, Mr. Ekman had announced that, acting for his party, he had returned 50,000 kronor to the receivers of Kreuger & Toll, because it was obvious that, although Kreuger had given the sum "in absolute good faith as a contribution toward the election expenses of the People's party," the money could not be kept in view of what investigation showed to be the state of the former capitalist's finances. Mr. Ekman said nothing at this time of the 50,000 kronor which Kreuger sent him from New York, and it was only on the day of his dismissal that the Premier acknowledged its receipt.

Mr. Ekman, whose government granted over 16,000,000 kronor to Kreuger companies ten days after the check in question was dated, said the second 50,000 kronor had gone to his party and had been used; a dispatch from Stockholm on Aug. 7, however, reported that the party administrators had heard nothing of the gift until the day before the Premier's resignation. The Swedish press united in condemning Mr. Ekman's action, whatever his motives may have been.

Kreuger's gift to the People's party was not his only contribution to political groups in Sweden; he was an important supporter of the Independent Communist party (which united with the Social Democrats in 1926), and in July, 1931, he made a temporary advance of 25,000 kronor to the Conservative party, which is headed by Arvid Lindman, who was Premier between 1928 and 1930. Thus far no repercussions have been caused by this unexpected evidence of Kreuger's curious political impartiality.

Mr. Ekman, who had held office since June 7, 1930, had been Premier once before, between the time the Sandler Cabinet left office in June, 1926, and the appointment of Arvid Lindman in October, 1928. His successor, Mr. Hamrin, has retained the Ministry of Finance and will thus act in a double capacity. The government is otherwise unchanged, except for the appointment of a consultative counselor, or Minister without portfolio.

FASCISM IN FINLAND

The difficulties which the Finnish Government has been experiencing with the Lapuans, a Fascist organization, have not come to an end. The revolt of February, 1932, in which some 4,000 Lapuans mobilized at Mäntsälä and threatened to march upon Helsinki, about forty miles away (see CURRENT HISTORY for April, page 121), had apparently been put down early in March with the arrest of the leaders and the dispersal of the rank and file, and when it was announced on April 12 that a general amnesty bill providing immunity for all offenders except military and civil

leaders had been prepared, it was felt that the high point of the reactionary movement had been passed. Two months later, however, a new revolt broke out at Mäntsälä, and this was put down on June 18 only after government troops had been sent to the district and several ringleaders had been arrested.

The rebels, it was said, had planned to kidnap Baron von Born, Minister of the Interior, inasmuch as he had refused to resign in accordance with their demands. The forcible detention of their opponents has long been a dreaded weapon in the hands of the Fascists; in October, 1930, it will be remembered, ex-President Kaarlo Stahlberg and his wife were victims of this lawlessness. That such tactics have not been abandoned by the Lapuans was shown by a vain attempt to kidnap Defense Minister Lahdensuo on July 17.

President Svinhufud, who came into power in 1930 as a result of the Lapuan movement, has in some degree acceded to the demands of the anti-Communists; it was announced on July 21 that General Jalander, Governor of the Uusimaa Province, had finally been dismissed by the President after such action had been repeatedly urged by the Lapuans. On the other hand, the trial of the Fascists arrested earlier in the year—over 100 in all—began in Abo on July 6; prominent among those who face the charge of conspiring against the present Cabinet are Vihtori Kosola, hailed as the man who saved Finland from bolshevism, and General Wallenius, former head of the army staff.

NEW ESTONIAN GOVERNMENT

The new State Assembly of Estonia, which was elected in May, 1932, on July 21 appointed a new government, with Karl Einbund as State head. Mr. Einbund's Cabinet succeeds that of Jaan Teemant, and, according to unofficial computation, is the twenty-fifth to hold office since Estonian independence was proclaimed in 1918.

THE GREENLAND CONTROVERSY

Norway recently took further steps toward establishing herself in East Greenland. On July 12 the Oslo Government decided to occupy a strip of territory between 61° 30′ and 63° 40′, and by so doing added yet another item to the list of "affronts" which an outraged Denmark exhibits to the world at large. The history of the long-standing controversy between the two countries, which originated with Norway's refusal to recognize Denmark's sovereignty over East Greenland, was traced in these pages last month; considering what has gone before, the occupation of additional territory by Norway is a logical move—from the Norwegian point of view.

The World Court will eventually rule upon the major question at stake—whether Denmark is the rightful owner of East Greenland and Norway only a squatter there—and the occupation of July 12 did not hasten action at The Hague. Norway declared that her step was taken to protect the interest of Norwegians, and that it was not an imperialistic gesture. Oslo felt that the Danes, in their zeal to uphold their claim to sovereignty, were infringing upon Norway's rights by giving police authority to Danish expeditions to East Greenland, and that only by formally occupying certain territory herself could she protect her nationals.

On Aug. 3, however, the World Court did hand down a decision affecting Norway and Denmark in Greenland when it unanimously dismissed the plea of the Norwegian Government for interim measures of protection against possible Danish encroachments in the southeastern part of the island. As a result, Norway is no doubt more than ever firmly con-

vinced that she can maintain her so-called rights only by such positive measures as occupation.

HAGUE VERDICT ON MEMEL

By a vote of 10 to 5, the World Court on Aug. 11 ruled that the Governor of Memel was within his rights in dismissing Otto Boettcher, president of the directorate, who was ousted last February after he had negotiated with Berlin regarding the foreign relations of Memel. Thus Lithuania has been upheld in her belief that she has certain rights of sovereignty over this autonomous territory, which was taken from Germany by the Treaty of Versailles.

From the German point of view, of course, the decision was unsatisfactory, and the prospects of permanent peace in Memel are by no means good. Two essentially unfriendly elements live in the district—a Lithuanian minority, which is working to extend the control of the Lithuanian Republic, and a German majority, which proved its strength in the elections to the Memel Diet last May and which naturally leans toward Berlin.

Gains in Soviet Foreign Relations

By EDGAR S. FURNISS
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RECENT events in world affairs foreshadow significant changes in the international position of the Soviet Union. The effect of these events has been to stabilize and improve the foreign relations of the Union, especially with her nearest neighbors on the eastern, southern and western frontiers, and also to inject new uncertainties into the larger sphere of world affairs which call for readjustment of Soviet foreign policy.

In the Far East the increasing friction with Japan has borne fruit in the sudden improvement in Soviet relations with China. Diplomatic relations between these two countries were suspended in 1929, during the dispute over the Chinese Eastern Railway; this rupture marked the end of a series of events through which Soviet influence, at one time dominant in the nationalist movement, was entirely eliminated from Chinese politics. The creation of the new State of Manchukuo under Japanese hegemony, the penetration of Japanese forces to the Siberian border of Manchuria and the threatened invasion of Jehol province have provided a basis of common interest upon which China and Russia can again join forces. The clash of China with Japan has been responsible, also, for an increased radical influence in Chinese domestic politics which makes Nanking more tolerant of Communist ideas.

Since the break in relations three years ago the Soviet Union has been content to mark time until China should be moved to take the initiative. At the end of June, 1932, a special mission from China arrived in Moscow for the purpose of re-establishing diplomatic contacts, letting it be known that Nanking had surrendered her demands with regard to the Chinese Eastern Railway which had proved an insurmountable obstacle in earlier attempts at settlement. The final outcome of the negotiations has not yet been made public, though news releases from Moscow indicate that the two countries intend to conclude a commercial treaty and a pact of mutual non-aggression. The immediate task of re-establishing diplomatic relations was soon accomplished

and before the end of July the Soviet consulates and other governmental agencies were reopened throughout China. The significance of these developments in relation to Soviet influence in the troubled area of the Far East is obvious.

On the Southern border the Soviet Union has always maintained friendly contact with Turkey, and she has seized recent opportunities to increase the cordiality of these relations and to display them to the world. The visit of the Turkish Premier to Russia some weeks ago was signalized by pomp and ceremony beyond precedent in Soviet history. The highest officials of the Union, the government press and the organs of the Communist party united in demonstrations of friendship which seemed almost excessive in view of the rather commonplace character of the event. Turkey, however, has an important rôle to play in Soviet foreign policy. Turkish antipathy to the imperial policies of the greater European States makes her a potential ally of Russia in the strategy of world politics. The Soviet Union is attempting, in particular, to promote a rapprochement between Turkey and Italy, despite the ancient grievances which have embittered the relations of those two countries, and to bind both to herself as a balance against the French hegemony in Europe. Soviet enthusiasm for the friendship of Turkey is but a phase of this larger policy.

Turkey, on her part, made public declaration of her willingness to serve as the champion of Soviet interests on the occasion of her admission to membership in the League of Nations on July 18. The reply of Kemal Husnu Bey, the Turkish delegate, to President Hymans's speech of welcome was given in the form of a plea for the recognition of the Soviet Union's right to a larger share in the activities of the League and was in line with recent public utterances of Italy to the same effect. Here is an indication of the success of Soviet Russian diplomacy.

Relations of the Soviet Union with her immediate neighbors to the west have improved during the month as an indirect result of dramatic events in German domestic politics and in the international affairs of the German Reich. The abrupt suppression of the Prussian Government by the central authority of the Reich and the establishment of a semi-military dictatorship over the affairs of Berlin and the province of Brandenburg were occurrences of much significance for the Soviet Union. Equally important was the outcome of the Lausanne Conference, which, while putting an end to reparations, gave Germany the opportunity to challenge the concept of war guilt and thus to attack at its foundation the structure of post-war Europe. These events directly affect the relations of the Union with Germany.

Their indirect effects were disclosed by Poland's taking immediate steps toward improving her relations with Russia. Poland saw that her welfare, and even her territorial integrity, might be imperiled. The suppression of the Prussian Government meant that the socialistic policies of the regularly constituted authority were overridden by the conservative and nationalistic forces of the country, which openly avow a determination to recover for Germany territory now in Poland's possession. That the Nazis should have hailed with delight this act of dictatorship is significant of the issues involved as they affect Poland. The proceedings at Lausanne, von Papen's aggressive rôle at the conference and especially his concluding declaration that Germany considered that the principle of war guilt would now be abandoned as a basis for future European diplomacy were taken by Poland as a warning that she could no longer rely on the support of the greater European States in her territorial controversy with Germany. In these circumstances it became imperative for her to make

herself secure against possible conflict with the Soviet power on her Eastern frontier.

Poland, accordingly, signed a treaty of amity and non-aggression with the Soviet Union on July 25. A draft treaty had been initialed in January, 1932, by representatives of the two governments, but was held in abeyance because of Poland's stipulation that Rumania should be co-signer, a stipulation that arose from a prior agreement between Poland and Rumania requiring their cooperation in all such matters. But Rumania has been unable to achieve a settlement of existing disputes with Russia. Poland's recent proposal means, therefore, that she is now determined to act alone, if need be, in the effort promptly to stabilize her relations with the Soviet Union. This step is more important than may appear at first sight. Russia's attempts during the past decade to obtain security on her western frontier have been largely thwarted by the Polish-Rumanian entente, and by the treaty arrangements of each of these States with France. The effect has been to require Russia to come to terms with the Eastern European States as a bloc, a thing which she has been both unwilling and unable to do because of the status of her relations with Rumania. To separate these allies and neutralize the major partner, Poland, will be a source of strength to Russia in her dealings with Rumania. Moreover, it may be assumed that the smaller States of Eastern Europe will promptly follow Poland's lead, thus contributing greatly to the stability of Russia's position in international affairs.

Recent events in Germany's domestic and international politics have, as suggested, a direct as well as an indirect bearing on Soviet affairs. For the time being they inject into Soviet-German relations an element of uncertainty whose outcome it is difficult to foresee. Those who have followed the course of Soviet diplomatic strategy during the past decade have observed how various have been the rôles played by Germany in the foreign policy of the Kremlin. At times it appeared that these two powers were about to unite to dominate the European scene; at other times they have drawn apart, almost to the point of open rupture. Following one of these periods of estrangement, the past two years have been marked by a progressive increase of cordiality in Soviet-German relations. In 1931 the Soviet Union rose to second place among German export markets, and early in 1932 to first place. The two countries on June 15 concluded a new trade agreement carrying the most liberal credit terms in behalf of Soviet purchases in Germany. Everything pointed to a multiplication of economic ties between these countries with consequent political affiliations which could not fail to make for harmony and cooperation in foreign policy.

But recent events have interrupted this smooth progress of affairs, at least temporarily. The coup of the Reich Government in Berlin was like an open declaration of war upon the radical parties of Germany, in particular upon the German branch of the Communist International. Germany's belligerency in the recent international conferences and especially her declaration upon the dissolution of the Disarmament Conference that henceforth she will hold herself free, despite treaty requirements, to increase her military establishment to a par with that of France were in direct opposition to Russia's program of worldwide demilitarization. It is probable that the Communist rulers of Russia are more disturbed by developments within Germany than by the Reich's attitude toward foreign affairs. But, however this may be, Litvinov took occasion on the closing day of the Disarmament Conference to censure Germany for her recalcitrance, giving

point to his criticisms by displaying an unwontedly conciliatory attitude toward the French. Though the significance of the incident remains to be seen, it was accepted by the other delegates at Geneva as an indication of a real change in Soviet-German relationships.

Account should be taken of two other developments outside the European arena. The first is the threat to Russia's economic welfare which has arisen at the British Imperial conference at Ottawa. At an early stage in its proceedings the conference received suggestions from Australia and Canada that the British Empire, and Great Britain in particular, should take immediate steps to boycott Soviet trade. This was followed, on July 25, by a direct resolution backed by these Dominions denouncing the trading methods of Russia. Definite action was postponed by referring the resolution to a special committee set up to consider the general problem of unfair competition.

The other development referred to is less concrete, but at the same time potentially more important. It is the accumulation of evidence favorable to an early recognition of the Soviet Union by the United States. It should be said at the outset that the American Government has in no way openly changed its position on this question; ostensibly it stands as before, opposed to any official negotiations in this direction until Russia has first met the three conditions laid down by Secretary Hughes years ago. Nevertheless, there are powerful unofficial influences at work which cannot be disregarded by any serious student of the trend of events.

Important members of the American Government have become active in their individual capacities in the cause of recognition. Organizations in the United States, such as the American-Russian Chamber of Commerce, have launched a publicity campaign in favor of recognition. The attempt is being made to bring the question before the people in the forthcoming election by persuading the Democratic candidates to become protagonists of recognition. And of chief significance, it is known that important American business interests, appointing themselves unofficial ambassadors, are at work in Moscow and Washington preparing the basis of consultation between the two governments. A preliminary procedure has been proposed to, and accepted by, the Soviet Government, and is at this writing under discussion at Washington. It is at least suggestive of future developments that the American Government has abstained from any reiteration of its opposition to these manoeuvres.

Ibn Saud Crushes Arab Revolt

By ALBERT H. LYBYER

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A REBELLION in Arabia broke out against King Ibn Saud at the end of May and continued until crushed in a fierce battle on July 31. Some months ago rumors from Amman maintained that various Bedouin tribes in Ibn Saud's dominions were restless and ready to revolt. The principal cause appears to have come from the general economic depression. Since a large part of the inhabitants of the desert live near the limit of subsistence and for the Hejaz the payments by pilgrims constitute an important source of revenue, the great reduction in the number of pilgrims

this year brought many Arabs to extreme want. Further hardships have resulted from the scanty rainfall, which, never bountiful, has been below average during the past two years. Moreover, for many months no salaries have been paid to government officials and the army.

The leader of the revolt was Sheik Ibn Rifada el Awad of the Billi tribe. He and many of his followers were sent into exile seven years ago, when King Hussein was defeated by Ibn Saud. The Billi and Howeitat tribes were punished for supporting the vanquished King and many took refuge over the border. Some wandered into Egypt, Palestine and Transjordania, and engaged in various unlawful pursuits, such as smuggling hashish, robbing travelers and raiding live stock. For a time Ibn Rifada lived near Cairo, but last Spring he visited Transjordania and the Northern Hejaz, and evidently arranged a gathering near the Gulf of Akaba, mostly of Howeitat Arabs. About 800 tribesmen crossed into the Hejaz on May 20, apparently in the expectation of a general uprising in their support.

King Ibn Saud gathered forces, well aware that unless he put a speedy end to this movement, disaffected groups elsewhere in his dominions might rise and threaten dissolution of his power. His strategy was to permit the rebels to advance a considerable distance, and then entrap them in the midst of better-armed men. An all-day battle at the end of July crushed the revolt. Not only Ibn Rifada fell but also his two sons, his principal aid, Sheik Mahmud Abu Tukeika, and 360 rebels besides. Ibn Rifada paid the penalty of revolt by being beheaded.

But other elements of trouble exist. The Ruallah tribe in Southern Syria has announced its intention to assist in driving out Ibn Saud in favor of one of the sons of the deceased King Hussein, while small tribal raids by Wahabis into Palestine have been reported. Exiled friends of the Hashimite family—that of King Hussein—are believed to be supporting the various movements of revolt with food, ammunition and money.

King Ibn Saud is said to have declared that he does not recognize the Balfour Declaration in favor of a Jewish national home in Palestine and that he reserves the right to intervene at a suitable time.

From an Arabian source have come certain items concerning the Yemen: Its administration is according to the form established by Turkey, with subdivisions into livas, kazas and nahiyehs; its income is about $5,000,000, but expenses in normal times are only about three-fourths that sum. The present depression has not been felt in the Yemen and unemployment is no greater than usual. The government's income is derived from the tithe on crops produced by ditch irrigation, the twentieth from the results of well irrigation, the poll tax paid by Jews—from 25 to 75 cents each—taxes on animals, and customs duties of 8 per cent on necessities and 15 to 20 per cent on luxuries. Exports pay 1 or 2 per cent of their value.

Hospitals are maintained in the principal towns, with Italian and Yemenite physicians. Primary schools exist in the villages and secondary schools in the cities. At Sana, the capital, are to be found a military school, a normal school, a higher school of languages where English and French are taught and a religious school. Italian influence is strong in the Yemen. Yemenite boys are taught gratuitously in Italian schools in Eritrea and branches of the Bank of Rome extend credit to the people of the Yemen. The Imam, however, is anxious to maintain the independence of the country.

TURKISH INTERNAL PROGRESS

The subject of airplane construction and aerial communication was debated in the Turkish Grand National Assembly at the beginning of July.

Zeki Bey, Minister of War, stated that last October a contract was arranged with an American company to establish air service throughout Anatolia. For one year American engineers will be employed in the factory at Kaiseriyeh to manufacture planes; at the end of that time either party may cancel or modify the agreement. Postal air communications will be organized and landing fields prepared. The American company has authority to operate a line between Istanbul and Europe, but the service within Turkey is a monopoly of the Turkish Government. A Turkish company will be organized for internal communication. The first project contemplates the building of twelve planes.

The Turkish budget for the year beginning July 1 was balanced at 169,000,000 Turkish pounds (about $80,000,000); last year the amount was 194,000,000 Turkish pounds and for the previous year 232,000,000. The reduction has thus amounted to 27 per cent in two years. Because of the difficult times, in spite of great economy and the abandonment of public works, extremely heavy taxation has been necessary in order to obtain revenue. Turkey neither can nor will take care of its deficits by borrowing.

THE EGYPTIAN PARLIAMENT

The recent session of the Egyptian Parliament, which was unexpectedly prolonged to July 7, was devoted largely to discussion of economic questions. The proposal for a dam at Jebel Aulia was approved, after years of discussion. Enlargement of the harbor at Alexandria was planned because of the pending improvement of the harbor at Haifa, which is expected to deprive Alexandria of much business. An additional scheme was discussed for a new inner harbor in Lake Mariut.

No improvement can be seen in Egypt's economic condition. The Egyptian Hotels Company lost about $30,000 during 1931, the worst year on record except the years of the war. The plant and equipment were maintained in first-class condition, and all hotels were kept open, except small ones in the Fayum. The King David Hotel at Jerusalem, which belongs to this company, made a small profit. The Egyptian Light Railways carried during the year which ended in July nearly 10,000,000 passengers, a number seldom exceeded. Nevertheless earnings fell off $200,000, which was almost matched by reduction in expenditures.

PALESTINIAN FINANCES

The revenues of Palestine in 1931 amounted to $11,500,000—$1,000,000 less than the amount expected. Expenditures exceeded income by $200,000 although $750,000 below the estimated figure. The government expects an income of $12,000,000 in 1932-33—$200,000 more than the estimated expenditure. The treasury holds a surplus of approximately $3,000,000.

During 1931, 5,533 immigrants entered Palestine, of whom 4,000 were Jews—one-half from Eastern Europe; of the total number, 1,900 were laborers.

PROGRESS IN PERSIA

By a decree of the Persian Government in March, the gold pahlavi—valued at $4.86—was divided into 100 riyals. The old kran was declared equal to a riyal, or approximately 5 cents. The last paper money issued by the Imperial Bank of Persia is being withdrawn this Summer, after which the Persian Government will resume the right to issue paper money.

The prices of Persian exports, especially carpets, have fallen greatly. Persia, nevertheless, is in a better position than many Western countries; her budget is balanced; decline in the value of exports has been corrected by the restriction of imports. The production of tea, tobacco and silk is increasing in the Caspian region, and

local industries—such as sugar refining, tanning, cotton-spinning and weaving—are expanding.

The government is expected to assume the monopoly of importing and distributing motor trucks in Persia. Early in the year sugar, tea and matches were made government monopolies, so that they have been imported solely by the government, which resold to merchants, increasing prices noticeably. About 90 per cent of the trucks imported into Persia are made in the United States and constitute the largest trade item between the two countries.

World War Dangers in Manchuria

By TYLER DENNETT

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ALL the parties to the Manchurian dispute, with the possible exception of Soviet Russia, are now in positions from which they cannot retire without great loss of prestige. The reaffirmation by Secretary Stimson before the Council on Foreign Relations on Aug. 8 of the unqualified determination of the American Government "not to recognize any situation, treaty or agreement which might be brought about by means contrary to the covenant and obligations of the Pact of Paris," discloses the unyielding quality of the Hoover policy. (See text of Secretary Stimson's address on pages 760-763 of this issue.) The alleged replies of the Japanese Foreign Office to the Lytton commission early in July, the somewhat hurried termination of the commission's second visit in Japan and the Japanese reaction to the Stimson speech were in a similar tone. Nor has China as yet revealed any sincere desire to reach an agreement by direct negotiation with Japan.

If Secretary Stimson from his position outside the League is able to hold in line the fifty-odd nations which on March 11 endorsed his policy of no compromise, the tenseness of the Far Eastern situation is not likely to be relieved in many a long month. Something will have to break somewhere and it is evident that the American Government is grimly determined that the break shall take place in Japan. The situation is not quite like that in Europe in July, 1914, because it may drag on for months or years, but it is more threatening to the peace of the world than any incident since the close of the World War.

Japan is evidently prepared to defy the League, if that becomes necessary, to conserve the fruits of her military operations in Manchuria and China. To the League Japan owes her mandate over the Pacific islands north of the equator and her greatly increased prestige as a world power with a seat on the League Council. Likewise, membership in the League makes Japan more valuable to France than would otherwise be the case, and some day Japan may have need of France, as once she had need of Great Britain when she was arming for her first victory over Russia. And yet Japan seems likely to throw over whatever advantages she has obtained from the League unless the latter keeps its hands off the Manchurian affair.

Apparently the Lytton Commission, upon its departure from Manchuria in June, did not at the moment plan to return to Japan. Reports of the probable early recognition of Manchukuo, however, seems to have led the commission to make one last effort to

bring Japan to reason. Lord Lytton took occasion, whenever his train stopped anywhere, to deny that the commission was giving out statements of its conclusions. Nevertheless, in Tokio on July 6, before the commission had even made its first visit to the Foreign Office, a Tokio paper carried a statement which the Foreign Office evidently believed to have originated with the commission. This was to the effect that Japan ought not to recognize the Changchun Government while the whole question was *sub judice* before the League, that recognition would violate several articles of the Nine-Power Treaty, and that it would close the door to further negotiations between Japan and China.

The Japanese Foreign Office took note of the statement and replied, also before seeing the commission, that it had no intention to negotiate with China, since the treaty of 1915 defined Japanese rights in Manchuria, that China had never exercised sovereignty in that area, and that Manchukuo is already an independent State. The statement was softened at the end by the comment that the date for recognition of the new State had not been determined and might be postponed. The two statements taken together could not have left very much for the commission and Count Uchida to talk about when they met. After two interviews Lord Lytton took his colleagues back to China, where they are now preparing their report. In June it was suggested that the report would be too late for the September meeting of the League, but it now seems possible that its preparation may be hastened and that it may be presented to the Council by the members of the commission in person, General McCoy along with the others. Following the Stimson speech it was reported in Tokio that Manchukuo will be recognized not later than December, and if the Lytton report is unfavorable to Japan recognition will take place as soon as the report is made.

Two proposals have been offered for settling the political situation in Manchuria. From Chinese sources it would appear that China might be induced to recognize the 1915 treaty rights of Japan in Manchuria if only Japan would agree to the creation of a commission government for Manchuria with a Chinese commissioner. The status of the territory would, under such an arrangement, be practically independent of China. But the Japanese will have none of such a plan. On the contrary, they are urging the Lytton Commission to recommend that the League recognize for from two to five years the *status quo* and give the new State an opportunity to demonstrate what it can do. For the League to take such a course would involve the repudiation of its approval on March 11 of the Stimson doctrine.

The Japanese press would welcome withdrawal from the League if the commission reports against her claims. The crux of Japan's contentions in justification of her policy is the determination of whether there was in September, 1931, any situation in Manchuria so urgent that there was not time in which to call a conference of the powers. A further critical question is whether Manchukuo is, in fact, an independent State. If the Lytton commission answers these two questions in the negative, it is difficult to see how Japan can remain in the League. If the answers are in the affirmative, the commission's report will be suitable to print in a comic paper. If, finally, the commission evades these crucial questions, Secretary Stimson may be left to carry the flag alone.

One cannot refrain, at this point, from quoting a paragraph from a little-known letter of John Hay's, written in September, 1900, when he discovered that to maintain the "administrative entity" of China would require a military force which the American people would not supply.

He wrote: "The inherent weakness of our position is this: we do not want to rob China ourselves, and our public opinion will not permit us to interfere, with an army, to prevent others from robbing her. Besides, we have no army. The talk of the papers about 'our pre-eminent moral position giving us the authority to dictate to the world' is mere flapdoodle."

It remains to be seen whether Mr. Gandhi has not taught the Chinese to use a weapon more devastating than any Japan has copied from the West. The Chinese policy at present is one of pacific sniping. There has been talk of a war on Manchukuo later on, but since the Japanese evacuated Shanghai China has taken no aggressive military measures against the Japanese.

The boycott movement, however, continues. Around Shanghai it is more under cover, and the Nanking Government has made some gestures toward suppressing the anti-Japanese demonstrations in the schools and colleges; but in Canton it is open, and Kiangsu Province has formulated a stringent boycott law which Nanking will not be able to approve or ratify. A postal blockade of Manchukuo has been declared and there is talk of a customs blockade. Meanwhile, in Manchuria the elusive and often-killed General Ma, together with bandits recruited from the poor farmers who have been robbed of their seed and deprived of their markets, have managed to keep General Honjo's troops fully employed in a great many scattered areas.

In the first week of August fighting broke out again in South Manchuria with the recapture of Chinchow as the Chinese objective. Fighting is also going on all along the railway zone south of Mukden. The Japanese have appropriated all the steamers on the Sungari, thus upsetting the marketing of produce, while the Soviet Government, in retiring from Harbin, had the foresight to remove most of the rolling-stock on the Chinese Eastern. The distress in Manchuria is reported to be great. The Japanese appear to be in for a very expensive and protracted campaign before Manchuria begins to pay dividends. As Sir John Jordan once remarked, "their feet are in the clay."

The assertions, so often repeated for the benefit of the Lytton commission, that Chinese control has disappeared from the area north of the Great Wall now requires some qualification. General Tang Yu-lin, Governor of Jehol, has been carrying water on both shoulders, but at length chose to cleave to his old master, General Chang, in Peiping. Jehol lies directly north of the Great Wall. It was once a part of Inner Mongolia, but while Chang was in control in Manchuria Tang cast in his lot with the latter. General Tang's name appeared on the manifesto of Manchukuo independence, but he has continued to divert the opium revenues to Chang in Peiping—a matter of approximately $600,000 a month.

About the middle of July the Manchukuo Government sent Gonshiro Ishimoto, a civilian attaché, into Jehol to negotiate with Tang about the opium trade, with a view of diverting this rich revenue to Changchun. Bandits captured the luckless Ishimoto, who disappeared from view. Japan began to move troops into Jehol, captured the railhead at Pehpiao on July 19, and moved south toward the Wall and the capital. On Aug. 6 it was reported in Shanghai that Japan had started a new movement to annex a large section of territory in China proper. Reinforcements from Manchuria and Tsingtao have been rushed to Shanhaikwan, where the Great Wall meets the sea, and to Chingwantao. Shanghai reports as to Japanese intentions may be accepted with reserve, but rumors have been frequent that in the Autumn Japan plans a campaign with Tientsin and Peiping as its objectives. It would be an appropriate way to celebrate the first anniversary of the destruction

of the famous fishplate in the railway track south of Mukden.

That Japan proposes to go forward with her program of consolidation is evident from the fact that the long-discussed unification of the Manchurian Administration has at last taken place. General Honjo has been recalled to become a member of the general staff in Tokyo. He was replaced on Aug. 8 by General Nobuyoshi Muto, who, in addition to being supreme military authority, will also be "Ambassador on special mission" to Manchukuo. The Foreign Office denied that such an appointment constituted recognition of the new State. Perhaps his diplomatic status will resemble that of Mr. Stimson when he went to Nicaragua in 1927.

The customs question in Manchuria has apparently been disposed of, without the approval of the powers, merely by transferring the Japanese members of the Chinese maritime customs to the Manchukuo Government under which they have continued to collect the duties. The Changchun authorities have promptly declared that their government would bear its share of the burden for the amortization of the foreign debts of China. It has all been very informal, however, and the transaction leaves one more item on the agenda to be considered in both Geneva and in Washington. Rumors persist that there is a great deal of smuggling through Dairen. It is also reported that it is becoming increasingly difficult for foreigners other than Japanese to secure orders for goods in Manchuria. The door is still open, but the room is packed with Japanese "advisers," who appear to be partial to goods of Japanese manufacture.

Following a somewhat vituperative letter to Marshal Chang Hsiao-liang, such as the old statesmen of China would never have written, Wang Ching-wei, president of the Chinese Executive Council, resigned on Aug. 8; the next day the entire Chinese Cabinet resigned. General Chiang Kai-shek, former President and now chief military commander, threatened to follow suit, and Marshal Chang expressed willingness to accompany him. The significance is obscure, but, at any rate, the Japanese need not be greatly troubled about organized opposition in Jehol.

THE RED MENACE IN CHINA

About a year ago young Harold R. Isaacs of New York drifted out to Shanghai and soon joined a group of European radicals. From the relatively safe extraterritorial barricade thrown up about Shanghai this group for several years has been promoting the Chinese Communist movement. For the last six months Isaacs has been editing the *China Forum*, an incendiary and vituperative six-page weekly devoted to "red" propaganda. His shining target has been General Chiang Kai-shek and the anti-Communist drive toward which the Shanghai bankers have been seeking to direct the attention of the Chinese military since the evacuation of the Shanghai area. The famous Nineteenth Route Army is now in Fukien conducting such a campaign. It was reported in New York on July 28 that the American Consul General had warned Isaacs that unless he changed his tone toward Nanking, the American Government would withdraw his extraterritorial protection. Subsequently the Department of State declared that only Isaacs's diplomatic protection might be withdrawn.

The Isaacs affair serves to draw attention to a situation which abounds in absurdities. On the one hand, the Nanking Government is flirting with Russia for an understanding which will strengthen its hands in future negotiations with Japan; and, on the other hand, the same officials are sponsoring a bloody and even fiendish persecution of Chinese sympathizers with Soviet economic and political principles. Meanwhile, the foreign radicals have gathered in Shanghai and write violent paragraphs about

the extraterritoriality which is their sole protection.

About thirteen months ago Paul and Gertrud Ruegg, also known as Mr. and Mrs. Noulens, were arrested in the International Settlement on information supplied by the British police of Singapore—so it is alleged—that they were the brains of a China-wide Communist movement. The Rueggs were associated with the secretariat of the Pan-Pacific Trade Union, which was believed to be supported by the Third International. After several months of confinement the prisoners were "extradited" to Nanking where they were imprisoned and then moved to Soochow. So great has been the informality of their treatment that the case has attracted wide attention among radicals in various parts of the world. A group of French intellectuals, including Romain Rolland and Henri Barbusse, joined in a memorandum of protest to the French Government and promptly cabled the text to Shanghai, where it was published.

In May, Isaacs issued a special illustrated edition of the *China Forum* under the caption, "Five Years of Kuomintang Reaction." It led off with the statement that within that period there had been at least 1,000,000 direct victims of the anti-Red campaign, and supported it with twenty-four pages of details. Much of the latter is unprintable and would be incredible if one were unfamiliar with the old Chinese methods of torture and Japanese methods of repression in Korea in 1917 and had not recently read the Wickersham report on the "third degree" of the American police. The Nanking Government evidently took it seriously, for on June 18 *The New York Times* correspondent telegraphed that the Chinese Government had issued secret orders forbidding Chinese newspapers to print news of Communist executions or reports of the success of the Soviet Five-Year Plan.

The *China Critic*, a conservative weekly, on June 16 credited the so-called Reds with the control of the major portions of Hunan, Anhwei, Hupeh, Kiangsi and Fukien, as well as with narrow strips of Honan, Chekiang and Szechuan. The area thus controlled is estimated to contain 75,000,000 people, although according to Isaacs only 50,000,000. That the movement is steadily increasing seems probable.

T. V. Soong has pointed out that the only effective way to combat communism is by fiscal, agrarian and industrial reform, a policy which the *China Critic* commends. To the latter the suppression of the Reds by military measures seems futile. This is particularly true because the Communist army, which is estimated at about 150,000, is conceded to be better disciplined than the Kuomintang forces which are sent against it. Such, for example, is the testimony of Sir John Hope Simpson, director general of the Flood Relief, who has just finished his year of labor in the regions devastated last Summer. In a dispatch to *The New York Times* on July 23, Russell Owen quoted Simpson as declaring that while his work had been interfered with by bandits, by the Kuomintang armies and by the Communist forces, the last were more likely to distribute their booty to the people, while the soldiers from Nanking were pretty certain to loot everything.

On the other hand, the Nanking officials, facing a large deficit every month, are able to live only by permission of the bankers, and the latter appear to feel about Soviet propaganda just as bankers do everywhere. Hallett Abend reported on July 11 that the Chinese Chamber of Commerce of Shanghai, alarmed at the increasing frequency of strikes and labor disturbances, had sent a petition to the Kuomintang party headquarters at Nanking begging that a more realistic policy be adopted in the settlement of such disputes. It is report-

ed that the party, which has become very unpopular with the masses, has been trying to curry favor by a conciliatory policy. A further embarrassment is that China may not be able to establish a new understanding with Russia without losing a proportionate amount of sympathy among the powers at Geneva.

JAPANESE ECONOMIC PLIGHT

Japan has nothing which remotely resembles a Red menace, but the depression has been not without effect, particularly in the agricultural districts, where the fall in the prices of both rice and silk has reduced many thousands of Japanese villagers to the borders of starvation. Silk is now at about $150 a bale, as compared with $690 six years ago. Interest rates on small loans are from 10 to 12 per cent, and the farmers are burdened with debts which they cannot possibly pay. The People's party (Kokumin Nihonto) has recently been formed as a consolidation of several liberal groups. Its objective is national socialism, but with a Fascist flavor. The relief problem is the supreme domestic issue. Both inflation of the yen and its devaluation have been proposed, but neither is likely to help the starving rice and silk grower. A special session of the Diet was called for Aug. 22, at which the government was expected to propose a bond issue of from $80,000,000 to $100,000,000.

Text of Stimson Address on the Pact of Paris

The following is the full text of the address, entitled "The Pact of Paris—Three Years of Development," delivered by Secretary of State Stimson before the Council on Foreign Relations in New York on Aug. 8, 1932:

FOUR years ago the United States joined with France in the initiation of the so-called Briand-Kellogg Pact for the Renunciation of War. A year later, in 1929, the pact became formally effective, and it has now been adhered to by sixty-two nations. Scarcely had its ratification been announced on July 24, 1929, when it became subjected to the first of a series of difficult challenges which are still going on. In the defense of the pact in these tests the American Government has been a leader. I believe it would be appropriate, in the light of this three years' history, to take stock now of what the pact is, the direction in which it is developing, and the part which we may hope that it eventually will play in the affairs of the world.

Events have been moving so rapidly since the great war, and we have been so close to them, that it is difficult to obtain an adequate perspective. I think, therefore, that it is well to summarize briefly the background out of which this great treaty came and against which it must be judged.

Prior to the great war many men had had visions of a warless world and had made efforts to accomplish the abolition of war, but these efforts had never resulted in any very general or effective combinations of nations directed toward that end. During the centuries which had elapsed since the beginnings of international law, a large part of that law had been a development of principles based upon the existence of war. The existence and legality of war were to a large extent the central facts out of which these legal principles grew and on which they rested. Thus the development of the doctrine of neutrality was predicated upon the duty of a neutral to maintain impartiality between two belligerents. This implies that each belligerent has equal rights and is owed equal duties by the neutral. It implies that the war between them is a legal situation out of which these rights and duties grow. Therefore, it is contrary to this aspect of international law for the neutral to take sides between belligerents or to pass a moral judgment upon the rightfulness or wrongfulness of the cause of either—at least to the extent of translating such a judgment into action. So long as a neutral exercised this strict impartiality, international law afforded to him, his commerce, and his property, certain rights of protection. And during the generations which preceded the Great War much of the growth of international humanitarianism was associated with attempts not to abolish war but to narrow and confine its destructive effects by the development of these doctrines of neutrality. Their chief purpose was to produce cases of safety for life and property in a world which still recognized and legalized the destruction of human life and property as one of the regular methods for the settlement of international controversies and the maintenance of international policy.

The mechanical inventions of the century preceding the great war and the revolutionary changes in industrial and social organization by which they were

accompanied have produced inevitable effects upon the concept of war which I have described. Communities and nations became less self-contained and more interdependent; the populations of industrialized States became much larger and more dependent for their food supplies upon far distant sources; the civilized world thus became very much more vulnerable to war. On the other hand, with these mechanical advances modern armies became more easily transportable and therefore larger and were armed with more destructive weapons. By these changes the inconsistency of war with normal life became sharper and more acute; the destructiveness of war to civilization became more emphatic; the abnormality of war became more apparent. The laws of neutrality became increasingly ineffective to prevent even strangers to the original quarrel from being drawn into the general conflict.

Finally there came the great war, dragging into its maelstrom almost the entire civilized world; tangible proof was given of the impossibility of confining modern war within any narrow limits; and it became evident to the most casual observer that if this evolution were permitted to continue, war, perhaps the next war, would drag down and utterly destroy our civilization.

Before this war was over it began to be called "a war to end war," and at the Peace Conference at Versailles the victorious nations entered into a covenant which sought to reduce the possibility of war to its lowest terms. The League of Nations covenant did not undertake entirely to proscribe wars between nations. It left unrestricted a zone in which such wars might occur without reprobation. Furthermore, it provided under certain circumstances for the use of force by the community of nations against a wrongdoer as a sanction. It created a community group of nations pledged to restrict war and equipped with machinery for that purpose. Some of this machinery, notably Article 11, which provides, on a threat of war, for the calling of a conference for purposes of conciliation, has on several occasions proved a valuable influence in the prevention of war. Another important and beneficent result of the League organization has been the regular conferences which are held between the representatives of the different nations. These discussions have proved to be effective agencies for the settlement of controversies and thus for war prevention. By them there also has been developed, particularly among the nations of Europe, a community spirit which can be evoked to prevent war. In all of these ways there has been produced the beginning of a group sentiment which is wholly at variance with some of the old doctrines in respect to war.

Nine years later, in 1928, came the still more sweeping step of the Pact of Paris, the Briand-Kellogg Pact. In this treaty substantially all the nations of the world united in a covenant in which they renounced war altogether as an instrument of national policy in their relations with one another and agreed that the settlement of all disputes or conflicts of whatever nature among them should never be sought except by pacific means.

The change of attitude on the part of world public opinion toward former customs and doctrines, which is evidenced by these two treaties, is so revolutionary that it is not surprising that the progress has outstripped the landmarks and orientation of many observers. The treaties signalize a revolution in human thought, but they are not the result of impulse or thoughtless sentiment. At bottom they are the growth of necessity, the product of a consciousness that unless some such step were taken modern civilization would be doomed. Under its present organization the world simply could not go on recognizing war, with its constantly growing destructiveness, as one of the normal instrumentalities of human life. Human organization has become too complex, too fragile, to be subjected to the hazards of the new agencies of destruction turned loose under the sanction of international law. So the entire central point from which the problem was viewed was changed. War between nations was renounced by the signatories of the Briand-Kellogg Treaty. This means that it has become illegal throughout practically the entire world. It is no longer to be the source and subject of rights. It is no longer to be the principle around which the duties, the conduct, and the rights of nations revolve. It is an illegal thing. Hereafter when two nations engage in armed conflict either one or both of them must be wrongdoers—violators of this general treaty law. We no longer draw a circle about them and treat them with the punctilios of the duelist's code. Instead we denounce them as lawbreakers.

By that very act we have made obsolete many legal precedents and have given the legal profession the task of re-examining many of its codes and treatises.

The language of the Briand-Kellogg Treaty and the contemporaneous statements of its founders make its purpose clear. Some of its critics have asserted that the Pact was really not a treaty at all; that it was not intended to confer rights and liabilities; that it was a mere group of unilateral statements made by the signatories, declaring a pious purpose on the part of each, of which purpose the signatory was to be the sole judge and executor, and for a violation of which no other signatory could call him to account.

If such an interpretation were correct, it would reduce the Pact to a mere gesture. If its promises conferred no rights as between the members of the community of signatories, it would be a sham. It would be worse than a nullity, for its failure would carry down the faith of the world in other efforts for peace.

But such critics are wrong. There is nothing in the language of the Pact nor in its contemporaneous history to justify such an interpretation. On its face it is a treaty containing definite promises. In its preamble it expressly refers to the "benefits furnished by this treaty," and states that any signatory power violating

its promise shall be denied those benefits. The correspondence of the framers of the treaty show that they intended it to be a treaty which would confer benefits, which might be lost by a violation thereof. During the period when the treaty was under negotiation, Mr. Kellogg declared in a public address: "If war is to be abolished it must be through the conclusion of a specific treaty solemnly binding the parties not to resort to war with one another. It cannot be abolished by a mere declaration in the preamble of a treaty." (Speech of March 15, 1928, before the Council on Foreign Relations at New York.) In drafting the treaty Mr. Kellogg rightly and tenaciously fought for a clear, terse prohibition of war free from any detailed definitions or reservations. In other words he sought "a treaty so simple and unconditional that the people of all nations could understand it, a declaration which could be a rallying point for world sentiment, a foundation on which to build a world peace." (Speech of March 28, 1930, before the League of Political Education at New York.) Any other course would have opened the door to technicalities and destructive limitations.

As it stands, the only limitation to the broad covenant against war is the right of self-defense. This right is so inherent and universal that it was deemed unnecessary even to insert it expressly in the treaty. It is also so well understood that it does not weaken the treaty. It exists in the case of the individual under domestic law, as well as in the case of the nation and its citizens under the law of nations. Its limits have been clearly defined by countless precedents. A nation which sought to mask imperialistic policy under the guise of the defense of its nationals would soon be unmasked. It could not long hope to confuse or mislead public opinion on a subject so well understood or in a world in which facts can be so easily ascertained and appraised as they can be under the journalistic conditions of today.

The Briand-Kellogg pact provides for no sanctions of force. It does not require any signatory to intervene with measures of force in case the pact is violated. Instead, it rests upon the sanction of public opinion, which can be made one of the most potent sanctions of the world. Any other course, through the possibility of entangling the signatories in international politics, would have confused the broad simple aim of the treaty and prevented the development of that public opinion upon which it most surely relies. Public opinion is the sanction which lies behind all international intercourse in time of peace. Its efficacy depends upon the will of the people of the world to make it effective. If they desire to make it effective, it will be irresistible. Those critics who scoff at it have not accurately appraised the evolution in world opinion since the Great War.

From the day of its ratification on July 24, 1929, it has been the determined aim of the American Government to make this sanction of public opinion effective and to insure that the Pact of Paris should become a living force in the world. We have recognized the hopes which it represented. We have resolved that they should not be disappointed. We have recognized that its effectiveness depends upon the cultivation of the mutual fidelity and good faith of the group of nations which has become its signatories, and which comprises virtually all of the nations of the world. We have been determined that the new order represented by this great treaty shall not fail.

In October, 1929, President Hoover joined with Mr. Ramsay MacDonald, the Prime Minister of Great Britain, in a joint statement at the Rapidan in which they declared: "Both our governments resolve to accept the peace pact, not only as a declaration of good intentions, but as a positive obligation to direct national policy in accordance with its pledge." That declaration marked an epoch.

In the Summer of 1929 hostilities threatened between Russia and China in northern Manchuria. Both nations were signatories of the pact. It was the most difficult portion of the world in which such a challenge to this treaty could have occurred. Yet we at once took steps to organize public opinion in favor of peace. We communicated with the Governments of Great Britain, Japan, France, Italy, and Germany, and the attention of the Governments of Russia and China was formally called to their obligations under the pact. Later during the same Autumn, when hostilities actually broke out and military forces of Russia had crossed the Manchurian boundary and attacked the forces of China, our government communicated with all of the signatories of the pact, suggesting that they urge upon Russia and China a peaceful solution of the controversy between them. Thirty-seven of these nations associated themselves with our action or signified their approval of our attitude. Although the aspect of the controversy had been extremely threatening and the forces of Russia had penetrated nearly a hundred miles within the boundaries of China, the restoration of the *status quo ante* was accepted by both parties and the invading forces were promptly withdrawn.

In September, 1931, hostilities broke out between the armed forces of Japan and China in the same quarter of the world, Manchuria, and the situation was brought to the attention of the Council of the League of Nations, which was actually in session at Geneva. We were invited to confer as to the bearing of the Pact of Paris upon the controversy. We promptly accepted the invitation, designating a representative to meet with the Council for that purpose; and the attention of the two disputants was called to their obligations under the pact by France, Great Britain, Germany, Italy, Spain, Norway and the United States.

The hostilities between Japanese and Chinese armed forces continued and protracted efforts towards conciliation were made by the Council of the League,

which had taken jurisdiction of the matter. The American Government maintained its attitude of sympathetic cooperation with the efforts of the Council and acting independently through the diplomatic channels endeavored to reenforce the Council's efforts at conciliation. Finally, when in spite of these efforts Japan had occupied all of Manchuria, the American Government formally notified both that country and China, on January 7, 1932, that it would not recognize any situation, treaty, or agreement which might be brought about by means contrary to the covenant and obligations of the Pact of Paris. Subsequently, on March 11, this action of the American Government was endorsed by the Assembly of the League of Nations, at a meeting in which fifty nations were represented. On that occasion, under circumstances of the utmost formality and solemnity, a resolution was adopted, unanimously, Japan alone refraining from voting, in which the Assembly declared that "it is incumbent upon the members of the League of Nations not to recognize any situation, treaty or agreement which will be brought about by means contrary to the covenant of the League of Nations or to the Pact of Paris."

These successive steps can not be adequately appraised unless they are measured in the light of the vital change of point of view which I have described in the opening of this address. They were the acts of nations which were bound together by a new viewpoint toward war, as well as by covenants which made that viewpoint a reality. Except for this new viewpoint and these covenants, these transactions in far-off Manchuria, under the rules of international law theretofore obtaining, might not have been deemed the concern of the United States and these fifty other nations. Under the former concepts of international law when a conflict occurred, it was usually deemed the concern only of the parties to the conflict. The others could only exercise and express a strict neutrality alike toward the injured and the aggressor. If they took any action or even expressed an opinion, it was likely to be deemed a hostile act toward the nation against which it was directed. The direct individual interest which each nation has in preventing a war had not yet been fully appreciated, nor had that interest been given legal recognition. But now, under the covenants, of the Briand-Kellogg Pact such a conflict becomes of concern to everybody connected with the pact. All of the steps taken to enforce the treaty must be judged by this new situation. As was said by M. Briand, quoting the words of President Coolidge: "An act of war in any part of the world is an act that injures the interest of my country." The world has learned that great lesson and the signature of the Briand-Kellogg Treaty codified it.

Thus the power of the Briand-Kellogg Treaty can not be adequately appraised unless it is assumed that behind it rests the combined weight of the opinion of the entire world united by a deliberate covenant which gives to each nation the right to express its moral judgment. When the American Government took the responsibility of sending its note of Jan. 7 last, it was a pioneer. It was appealing to a new common sentiment and to the provisions of a treaty as yet untested. Its own refusal to recognize the fruits of aggression might be of comparatively little moment to an aggressor. But, when the entire group of civilized nations took their stand beside the position of the American Government, the situation was revealed in its true sense. Moral disapproval, when it becomes the disapproval of the whole world, takes on a significance hitherto unknown in international law. For never before has international opinion been so organized and mobilized.

Another consequence which follows this development of the Briand-Kellogg Treaty, which I have been describing, is that consultation between the signatories of the pact when faced with the threat of its violation becomes inevitable. Any effective invocation of the power of world opinion postulates discussion and consultation. As long as the signatories of the pact support the policy which the American Government has endeavored to establish during the past three years of arousing a united and living spirit of public opinion as a sanction of the pact, as long as this course is adopted and endorsed by the great nations of the world who are signatories of that treaty, consultations will take place as an incident to the unification of that opinion. The course which was followed in the Sino-Japanese controversy last winter shows how naturally and inevitably consultation was resorted to in this effort to mobilize the public opinion of the world. The moment a situation arose which threatened the effectiveness of this treaty, which the peoples of the world have come to regard as so vital to the protection of their interests, practically all the nations consulted in an effort to make effective the great, peaceful purposes of that treaty.

That the pact thus necessarily carries with it the implication of consultation has perhaps not been fully appreciated by its well-wishers who have been so anxious that it be implemented by a formal provision for consultation. But with the clarification which has been given to its significance by the developments of the last three years, and the vitality with which it has been imbued by the positive construction put upon it, the misgivings of those well-wishers should be put at rest. That the American people subscribe to this view is made clear by the fact that each of the platforms recently adopted by the two great party conventions at Chicago contains planks endorsing the principle of consultation.

I believe that this view of the Briand-Kellogg Pact which I have discussed will become one of the great and permanent policies of our nation. It is founded upon conceptions of law and ideals of peace which are among the most cherished faiths of the American people. It is a policy which combines the readiness to cooperate for peace and justice in the

world, which Americans have always manifested, while at the same time it preserves the independence of judgment and the flexibility of action upon which our people have always insisted. I believe that this policy must strike a chord of sympathy in the conscience of all other nations. We all feel that the lessons taught by the Great War must not be forgotten. The determination to abolish war which emerged from that calamity must not be relaxed. These aspirations of the world are expressed in the great peace treaty which I have described. It is only by continued vigilance that this treaty can be built into an effective, living reality. The American people are serious in their support and evaluation of the treaty. They will not fail to do their share in this endeavor.

Text of the Party Platforms

THE August number of CURRENT HISTORY contained what were believed to be the authentic texts of the Republican and Democratic platforms. When, however, announcement was made of the signing on July 18 of the treaty between the United States and Canada for a Great Lakes-St. Lawrence waterway it became known that somehow the text of the platforms of both parties, as published in the American press, had been inaccurate in regard to the expression of the parties' views on the St. Lawrence waterway and on waterways in general.

The Republican platform as printed in CURRENT HISTORY and in the newspapers of the country approved the St. Lawrence waterway project but omitted the Republican attitude toward waterways in general. The following paragraph should have been included:

The Republican party recognizes that low cost transportation for bulk commodities will enable industry to develop in the midst of agriculture in the Mississippi Valley, thereby creating a home market for farm products in that section. With a view to aiding agriculture in the Middle West the present administration has pushed forward, as rapidly as possible, the improvement of the Mississippi Waterway System and we favor a continued vigorous prosecution of these works to the end that agriculture and industry in that great area may enjoy the benefits of these improvements at the earliest possible date.

The omission of this plank is explained by the fact that, although it was duly adopted by the Convention Committee on Resolutions, it was mislaid when copies of the platform were given to the nation's press. The plank does appear, however, in the official version of the platform published by the Republican party.

Strangely enough, a similar error crept into the generally published text of the Democratic platform. In paragraph 5 of the text, as printed in CURRENT HISTORY, appeared the statement that the Democrats advocated "expansion of the Federal program of necessary and useful construction affected with a public interest, such as flood control and waterways, including the St. Lawrence, Great Lakes deep waterways." It seems that the statement concerning the St. Lawrence waterway appeared in the draft of the platform prepared by the subcommittee on resolutions which was given to the press but was eliminated by the full committee, was not read to the convention and was not included in the official text of the platform.

SOCIALIST PARTY PLATFORM

The following is the full text of the platform of the Socialist party of America which was adopted at its national convention at Milwaukee on May 24:

We are facing a breakdown of the capitalist system. This situation the Socialist party has long predicted. In the last campaign, it warned the people of the increasing insecurity in American life and urged a program of action which, if adopted, would have saved millions from their present tragic plight.

Today, in every city of the United States, jobless men and women by the thousands are fighting the grim battle against want and starvation, while factories stand idle and food rots on the ground. Millions of wage earners and

salaried workers are hunting in vain for jobs, while other millions are only partly employed.

Unemployment and poverty are inevitable products of the present system. Under capitalism the few own our industries. The many do the work. The wage earners and farmers are compelled to give a large part of the product of their labor to the few. The many in the factories, mines, shops, offices and on the farms obtain but a scanty income and are able to buy back only a part of the goods that can be produced in such abundance by our mass industries.

Goods pile up. Factories close. Men and women are discharged. The nation is thrown into a panic. In a country with natural resources, machinery and trained labor sufficient to provide security and plenty for all, masses of people are destitute.

Capitalism spells not only widespread economic disaster, but class strife. It likewise carries with it an ever present threat of international war. The struggle of the capitalist class to find world markets and investment areas for its surplus goods and capital was a prime cause of the World War. It is today fostering isise policies of militarism and imperialott which, if unchecked, will lead to an-Fr world conflict.

ploym the poverty, insecurity, unemwastent, the economic collapse, the taXes and the wars of our present capinistic order, only the united efforts of workers and farmers, organized in unions and cooperatives and, above all, in a political party of their own, can save the nation.

The Republican and Democratic parties, both controlled by the great industrialists and financiers, have no plan or program to rescue us from the present collapse. In this crisis, their chief purpose and desire has been to help the railroads, banks, insurance companies and other capitalist interests.

The Socialist party is today the one democratic party of the workers whose program would remove the causes of class struggles, class antagonisms and social evils inherent in the capitalist system.

It proposes to transfer the principal industries of the country from private ownership and autocratic, cruelly inefficient management to social ownership and democratic control. Only by these means will it be possible to organize our industrial life on a basis of planned and steady operation without periodic breakdowns and disastrous crises.

It proposes the following measures:

UNEMPLOYMENT AND LABOR LEGISLATION—1. A Federal appropriation of $5,000,000,000 for immediate relief for those in need, to supplement State and local appropriations.

2. A Federal appropriation of $5,000,000,000 for public works and roads, reforestation, slum clearance and decent homes for the workers, by Federal Government, States and cities.

3. Legislation providing for the acquisition of land, buildings and equipment necessary to put the unemployed to work producing food, fuel and clothing and for the erection of houses for their own use.

4. The six-hour day and the five-day week without a reduction of wages.

5. A comprehensive and efficient system of free public employment agencies.

6. A compulsory system of unemployment compensation with adequate benefits, based on contributions by the government and by employers.

7. Old age pensions for men and women sixty years of age and over.

8. Health and maternity insurance.

9. Improved systems of workmen's compensation and accident insurance.

10. The abolition of child labor.

11. Government aid to farmers and small home-owners to protect them against mortgage foreclosures and a moratorium on sales for non-payment of taxes by destitute farmers and unemployed workers.

12. Adequate minimum wage laws.

SOCIAL OWNERSHIP.—1. Public ownership and democratic control of our mines, forests, oil and power resources; public utilities dealing with light and power, transportation and communication and of all other basic industries.

2. The operation of these publicly owned industries by boards of administration on which the wage-worker, the consumer and the technician are adequately represented; the recognition in each industry of the principles of collective bargaining and civil service.

BANKING.—Socialization of our credit and currency system and the establishment of a unified banking system, beginning with the complete governmental acquisition of the Federal Reserve Banks and the extension of the services of the Postal Savings Banks to cover all departments of the banking business and the transference of this department of the postoffice to a government-owned banking corporation.

TAXATION.—1. Steeply increased inheritance taxes and income taxes on the higher incomes and estates of both corporations and individuals.

2. A constitutional amendment authorizing the taxation of all government securities.

AGRICULTURE.—Many of the foregoing measures for socializing the power, banking and other industries, for raising living standards among the city workers, &c., would greatly benefit the farming population.

As special measures for agricultural upbuilding, we propose:

1. The reduction of tax burdens, by a shift from taxes on farm property to taxes on incomes, inheritances, excess profits and other similar forms of taxation.

2. Increased Federal and State subsidies to road building and educational and social services for rural communities.

3. The creation of a Federal marketing agency for the purchase and marketing of agricultural products.

4. The acquisition by bona fide cooperative societies and by governmental

agencies of grain elevators, stockyards, packing houses and warehouses, and the conduct of these services on a non-profit basis. The encouragement of farmers' cooperative societies and of consumers' cooperatives in the cities, with a view of eliminating the middle-man.

5. The socialization of Federal land banks and the extension by these banks of long-term credit to farmers at low rates of interest.

6. Social insurance against losses due to adverse weather conditions.

7. The creation of national, regional and State land utilization boards for the purpose of discovering the best uses of the farming land of the country, in view of the joint needs of agriculture, industry, recreation, water supply, reforestation, &c., and to prepare the way for agricultural planning on a national and, ultimately on a world scale.

CONSTITUTIONAL CHANGES.—1. Proportional representation.

2. Direct election of the President and Vice President.

3. The initiative and referendum.

4. An amendment to the Constitution to make constitutional amendments less cumbersome.

5. Abolition of the power of the Supreme Court to pass upon the constitutionality of legislation enacted by Congress.

6. The passage of the Socialist party's proposed workers' rights' amendment to the Constitution, empowering Congress to establish national systems of unemployment, health and accident insurance and old-age pensions, to abolish child labor, establish and take over enterprises in manufacture, commerce, transportation, banking, public utilities and other business and industries, to be owned and operated by the government, and, generally, for the social and economic welfare of the workers of the United States.

7. Repeal the Eighteenth Amendment and take over the liquor industry under government ownership and control, with the right of local option for each State to maintain prohibition within its borders.

CIVIL LIBERTIES—1. Federal legislation to enforce the First Amendment to the Constitution so as to guarantee freedom of speech, press and assembly, and to penalize officials who interfere with the civil rights of citizens.

2. The abolition of injunctions in labor disputes, the outlawing of yellow dog contracts and the passing of laws enforcing the rights of workers to organize into unions.

3. The immediate repeal of the espionage law and other repressive legislation, and the restoration of civil and political rights to those unjustly convicted under wartime laws.

4. Legislation protecting aliens from being excluded from this country or from citizenship or from being deported on account of their political, social or economic beliefs, or on account of activities engaged in by them which are not illegal for citizens.

5. Modification of the immigration laws to permit the reuniting of families and to offer a refuge to those fleeing from political or religious persecution.

THE NEGRO—The enforcement of Constitutional guarantees of economic, political and legal equality for the Negro.

The enactment and enforcement of drastic anti-lynching laws.

INTERNATIONAL RELATIONS—While the Socialist party is opposed to all war, it believes that there can be no permanent peace until socialism is established internationally. In the meanwhile, we will support all measures that promise to promote good-will and friendship among the nations of the world including:

1. The reduction of armaments, leading to the goal of total disarmament by international agreement, if possible, but, if that is not possible, by setting an example ourselves. Soldiers, sailors and workers unemployed by reason of disarmament to be absorbed, where desired, in a program of public works, to be financed in part by the savings due to disarmament. The abolition of conscription, of military training camps and the R. O. T. C.

2. The recognition of the Soviet Union and the encouragement of trade and industrial relations with that country.

3. The cancellation of war debts due from the allied governments as part of a program for wiping out war debts and reparations, provided that such cancellation does not release money for armaments, but promotes disarmament.

4. The entrance of the United States into the World Court.

5. The entrance of the United States into the League of Nations under conditions which will make it an effective instrument for world peace, and renewed cooperation with the working class parties abroad to the end that the League may be transformed from a league of imperialist powers to a democratic assemblage representative of the aspirations of the common people of the world.

6. The creation of international economic organizations on which labor is adequately represented, to deal with problems of raw material, investments, money, credit, tariffs and living standards from the viewpoint of the welfare of the masses throughout the world.

7. The abandonment of every degree of military intervention by the United States in the affairs of other countries. The immediate withdrawal of military forces from Haiti and Nicaragua.

8. The withdrawal of United States military and naval forces from China and the relinquishment of American extraterritorial privileges.

9. The complete independence of the Philippines and the negotiation of treaties with other nations safeguarding the sovereignty of these islands.

10. Prohibition of the sales of munitions to foreign powers.

Committed to this constructive program, the Socialist party calls upon the nation's workers and upon all fair-minded and progressive citizens to unite with it in a mighty movement against the present drift into social disaster and in behalf of sanity, justice, peace and freedom.

TO AND FROM OUR READERS

THE WISCONSIN EXPERIMENTAL COLLEGE.

To the Editor of Current History:

Mr. Sidney Hertzberg's article, "The Wisconsin Experimental College," published in July CURRENT HISTORY, suggests the question whether greater success would not attend such a scheme if it were to be substituted for the third and fourth instead of the first and second years of a liberal college education.

It seems that a student would be better prepared and thereby enabled to benefit more fully if those two years devoted to a comprehensive study of the civilizations of ancient Athens and nineteenth-century America were led up to by the acquisition during two years of as many as possible of the separate subjects which enter into the very large and broad synthesis or "integration" which is the aim of the Experimental College.

One cannot interpret anything in the absence of the facts; and the amount of information about such a thing as an [illegible] civilization cannot be acquired, less digested, in two years. To one [illegible]ent at least of our educational problems the Wisconsin experiment gives the impression that it is more likely to result in a vague, superficial even if general knowledge rather than the thoroughness which is our greatest intellectual need at the present time.

Since Mr. Alexander Meiklejohn is nothing if not experimental, could he not be induced to see what results he could obtain by taking a group of third and fourth year students through the curriculum described in Mr. Hertzberg's article? Such an experiment would surely bring out many new aspects of the problem that Mr. Meiklejohn devoted himself to at the University of Wisconsin.

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FASCIST EDUCATION IN ITALY

To the Editor of Current History:

The article by C. H. Abad on *Fascist Education in Italy* in CURRENT HISTORY for July not only contains grave misinterpretations of the spirit of the education reforms under the Fascist régime, but is couched in language which clearly aims at the creation of an atmosphere unfriendly to Italy. Although many of the statements which the author makes regarding the teaching of patriotism and civic training in the schools of Italy may be applied with greater force to other countries, especially France, the United States and Japan, the author leaves the reader with the impression that the conditions which he describes exist only in Italy. The fundamental point to be borne in mind is that education, being a public policy, must of necessity be closely related to the economic, social and political conditions of a country, and that any statesman who proposes to build an efficient, prosperous and patriotic nation must enlist the cooperation of the schools in his efforts and utilize them to effect his aims. This maxim is as true of Italy as it is true of all civilized countries.

Education in Italy is not as standardized and as stereotyped as Mr. Abad wishes to make out. The statement regarding the "single textbook" is not entirely correct. I have before me, for example, three different textbooks for the second elementary grade, compiled by three different persons and all published in the same year. But what is more important is the misinterpretation of the spirit of the teaching imparted in the schools. It is stated, for example, that individualism is "reprehensible" and that the child "is never required to make any decisions according to his conscience." Nevertheless, the instructions issued by the Minister of National Education definitely state that the programs of studies in the elementary schools are only suggestions for the guidance of teachers, who are left free to adapt them to the varying local requirements. Professor Giovanni Gentile, the first Minister of Public Instruction under the Fascist Government, when he introduced the new programs in 1923, which are still in force, said:

"The schemes for study which are described here are intended primarily as a guide. The teacher is informed of the result which the State expects from his work in each school year, leaving him free to use what he individually considers the most suitable means for arriving at it. * * * The following schemes are designed in such a way as to oblige the teacher continually to renew his personal culture, not only by means of the superficial little manuals in which he can gather the crumbs of knowledge, but from the living fountains of national culture. * * * These schemes forbid the commonplace platitudes which have so long dulled children's education, and demand pure, genuine poetry, sincere searching for truth, energetic investigation of the popular spirit, restless and never satisfied, asking always the reason why, the rapture of

contemplating pictures resplendent with art and life, the communion with great souls which speak through the mouth of the teacher."

Thus, throughout the elementary school course the child is constantly encouraged to do things for himself, to work out his own thoughts, and in this manner gradually to mold an independent personality quite distinct from that of his fellow pupils. The result is that he goes out into the world with well-formed habits of initiative and independence, not merely in possession of the tools of knowledge, but also and above all with a clear understanding of his attainments and with the confidence of one who knows his own powers and limitations, and consequently his own place in the world.

The major portion of the curriculum is devoted to the cultivation of spontaneous expression in singing, games, drawing and composition. The absurdity of the statement that "love for and interest in nature are in no way stimulated, nor is there any emphasis on kind or charitable sentiments" becomes evident when it is recalled that religious instruction is made the fundamental object of the system of public instruction. Nature study, too, is included in the school programs, and the textbooks are filled with drawings from nature. In fact, subjects nearest to child nature and those most suitable to the development of his mind are given first place in the curriculum.

There is no nationalistic or chauvinistic emphasis in the Italian schools. Their aim is national rather than nationalistic. This statement is vigorously brought out in a recent article by Professor I. L. Kandel of Columbia University, who has made extensive surveys of European school systems. He states that he did not see any special nationalist emphasis when he visited the schools in Italy in 1928.

Nor does Mr. Abad understand the true spirit of the Balilla movement. This organization, which is maintained both by private contributions and by State subsidy, conducts intellectual propaganda, and all those extra-school activities which in America and in other countries are provided through the Boy Scouts, the Girl Scouts, the continuation schools, adult education, vocational education and so forth. It conducts visits and excursions to the museums and monuments of the country; it awards prizes and scholarships; it organizes cruises; it maintains Summer camps; and, last but not least, it promotes physical education and athlet activities. Only since the advent of fa cism has the school in Italy attempted t develop the child physically as well a mentally. Professor Gentile has stat that a complete and perfect system education should aim not only at the d velopment of the spirit but of the bod as well.

Mr. Abad is horrified by the oath of a legiance which university professors a required to take. But all civil servants i Italy are required to take the oath of a legiance, and since the universities a under the State, it is only natural th professors, in their capacity of public se vants, should be required to take it to Professors of the private universities i Italy have not been required to comp with this formality, but they have spont neously requested to take the oath. It noteworthy that of about 1,200 professo who are civil servants only eleven ha declined to do so! Incidentally, it may b well to note that this is not the first tim that Italian public officials have been r quired to take an oath of allegiance. was required by certain laws that were i force under liberal but inefficient parli mentary governments, and it was disco tinued, only to be resumed again in N vember, 1908.

There is nothing in the curriculum the Italian schools which tends to mal the people "supremely ambitious" f war or encourages "distrust and hatre for the other nations. Mussolini has r peatedly and with ever-increasing firr ness sought to make certain and saf guard the peace of Europe, while Italy education experts, under the leadership Gentile, have saved the Italian school ar with it Italian culture. That is why Mu solini has described Gentile's reforms "the most Fascist of all the Fascist r forms."

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